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Ad Hoc Inter-Agency Task Force on Tobacco Control

Report of the Secretary-General

Summary

The present report is submitted pursuant to Economic and Social Council resolution E/2010/8, in which the Council requested the Secretary-General to report to it at its substantive session of 2012 on the work of the Ad Hoc Inter-Agency Task Force on Tobacco Control and on the outcome of a special meeting of the Task Force that explored the possibility of further strengthening multisectoral and inter-agency response to the needs related to global implementation of the World Health Organization's Framework Convention on Tobacco Control.

The report reviews the work of the Task Force to date, provides a thorough overview of the main provisions of the Convention and highlights areas of collaboration among the various agencies. All members of the Task Force have a continuing role to play by working towards the goals of the Convention that relate to members' expertise, resource endowments and comparative advantage. A United Nations system-wide, multisectoral and "whole-of-Government approach" will be most effective for the successful implementation of the Convention. This includes utilizing the existing tools and expertise of each of the different agencies. Progress will depend on full implementation at the country level through integration with coordinating mechanisms such as the United Nations Development Assistance Frameworks, especially in the context of the prevention and control of non-communicable diseases. The commitment of agencies at the highest level will be critical in facilitating this process. The report highlights three required levels of interventions for tobacco control — political, technical and operational — and the need to make the link to non-communicable disease control.

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I. Introduction

1. The challenges related to tobacco control have been high on the agenda of the Economic and Social Council for the past two decades, especially with the growth of the tobacco epidemic in developing countries. Successive reports to the Council have highlighted the multisectoral challenges related to tobacco control and evidence of tobacco use and its link to poverty. Non-communicable diseases related to tobacco use are adding an enormous burden to the already fragile health systems of some developing countries. These countries are unable to cope with the existing demands of communicable diseases and tobacco use is one of the main risk factors for non-communicable diseases.

2. The World Health Organization (WHO) Framework Convention on Tobacco Control, an evidenced-based treaty negotiated under the auspices of WHO, is a multilateral instrument, which provides a comprehensive response to the global tobacco epidemic. The 174 parties that have signed on to the Convention and its obligations have a legitimate expectation for assistance from the Ad Hoc Inter-Agency Task Force on Tobacco Control and its members. Such multisectoral assistance, which by nature is specialized, requires close collaboration and coordination, with shared objectives, among the members of the Task Force. The urgency for successful implementation of the Convention was renewed in September 2011, when the General Assembly, at its High-level Meeting on Non-communicable Diseases, called for the comprehensive and effective implementation of the Convention as one of the key instruments to combat the global epidemic of non-communicable diseases. This was only the second high-level meeting on a health issue ever to be held by the Assembly, the first being on HIV/AIDS in 2000, and thus demonstrates the political momentum and interest in combating non-communicable diseases.

3. The Convention also provides a legal and regulatory framework to the parties for responding to the multisectoral challenges associated with its implementation, including the requirement that Governments set up multisectoral coordination mechanisms across ministries or departments. This particular obligation under the Convention has the potential to translate the "whole-of-Government approach" into national health and development policies and programmes that will serve to successfully align and harmonize implementation of the Convention.

4. According to the implementation reports of the parties, the major barriers to effective implementation of the WHO Convention in low- and middle-income countries include:

- Lack of public and Government awareness about the burden posed by non-communicable diseases and tobacco use and about the potential global good of the Convention for public health
- Lack of prioritization of tobacco control issues at the political level, often resulting in the absence of a legal framework on tobacco control and/or of effective implementation and enforcement mechanisms
- Lack of financial resources for the development of national mechanisms to implement tobacco control measures, as required by the Convention
- Capacity deficits at the administrative and technical levels.

5. The sections below describe the multisectoral challenges involved in implementation of the Convention and the willingness and proactive approach by the members of the Task Force to address the challenges in a systematic and sustained manner. The inter-agency mechanism has demonstrated that it is capable of providing sustained support to Member States.

6. Available evidence on the implementation of the Convention indicates that it is utilizing existing resources and mechanisms. The harmonization and alignment of its implementation within national development health plans and programmes and the strategic direction of its further integration under United Nations Development Assistance Frameworks at the country level would bring added value to strengthen the United Nations "Delivering as one" agenda. The work of the Task Force members has the potential to emerge as a "resource mechanism" for developing countries.

II. Ad Hoc Inter-Agency Task Force on Tobacco Control and its achievements

7. The United Nations Ad Hoc Inter-Agency Task Force on Tobacco Control was established by the Secretary-General in 1999, pursuant to Economic and Social Council resolution 1999/56, to coordinate the tobacco control work being carried out by various United Nations system agencies. The Task Force is chaired by WHO through its Tobacco Free Initiative department. The purpose of establishing the Task Force was to intensify a joint United Nations response and to galvanize global support for tobacco control. It comprises 22 agencies of the United Nations system in addition to members from outside the system.[1] Since 2000, the Secretary-General has been reporting biannually to the Council at its substantive session on progress made by the Task Force to implement multisectoral collaboration on tobacco and health.

8. Since 1999, the Task Force has met nine times. The most recent meeting, held on 27 and 28 February 2012 at WHO headquarters in Geneva, focused on implementation of the Convention, pursuant to the action recommended by the Secretary-General in his report (E/2010/55 and Corr.1, para. 20) and to resolution 2010/8 of the Economic and Social Council. Participants included the Food and Agriculture Organization of the United Nations (FAO), the International Labour Organization (ILO), the secretariat of the WHO Framework Convention on Tobacco Control, the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), the World Bank, the World Customs Organization, WHO, the World Intellectual Property Organization (WIPO) and the World Trade Organization, and the United Nations Environment Programme (UNEP) provided a written contribution. The Executive Office of the Secretary-General was represented in observer status.

9. Throughout the years, the work of the Task Force towards strengthening multisectoral collaboration on tobacco control has led to many outcomes, including:

[1] The members of the Task Force are listed in the annex to the present report.

(a) During the first meeting of the Task Force in 1999, ILO, FAO and the World Bank committed to undertake a series of studies on the supply side of tobacco, for which almost no research had been done at that time. As a result, a series of publications were produced by the three agencies between 2000 and 2003. These studies have been very important in advancing knowledge on the supply of tobacco and were used as the basis for the few provisions addressing tobacco supply in the Convention. In particular, the FAO study entitled "Projections of tobacco production, consumption and trade to the year 2010" helped to provide additional evidence to deconstruct the myth diffused by the tobacco industry that tobacco control would shatter the livelihoods of individuals engaged in tobacco growing and trade;

(b) In the context of the Task Force work, WHO undertook a study in 2001 with input from the World Trade Organization on the impact of trade liberalization on tobacco. The study, in addition to modelling the impact of trade openness on tobacco use globally and in developing countries, mapped out in detail the public health impact of different trade agreements within the World Trade Organization and their link to tobacco control. This review served as an important background for the Convention negotiations during discussions on this issue;

(c) Following submission of the report of the Secretary-General on the activities of the Task Force in 2004 (E/2004/55), the Economic and Social Council adopted resolution 2004/62 on tobacco control, in which the Council recognized, among other things, the adverse impact of tobacco consumption on efforts towards poverty alleviation. That resolution has often been used in discussions with agencies and countries on recognizing the link between tobacco and poverty. WHO then produced the well-received publication entitled *The Millennium Development Goals and Tobacco Control: An Opportunity for Global Partnership*, linking the contribution of tobacco control to the achievement of each of the eight Goals;

(d) Following the reports of the Secretary-General (E/2006/62 and E/2008/59) recommending that United Nations premises become smoke-free and the call for the same by the Council in its resolution 2006/42, the General Assembly adopted resolution 63/8 on smoke-free United Nations premises. As a result of that resolution, the United Nations was finally able to implement smoke-free premises in New York and in such other offices as the United Nations Office at Geneva;

(e) Following the presentation of the report of the Secretary-General on the activities of the Task Force in 2010 (E/2010/55 and Corr.1), the Council adopted resolution 2010/8 on tobacco use and maternal and child health. In the resolution, the Council urged Member States to consider the importance of tobacco control in improving maternal and child health as part of their public health policies and in their development cooperation programmes. Importantly, the resolution recognizes the link between tobacco control and Goals 4 (reduce child mortality) and 5 (improve maternal health) of the Millennium Development Goals;

(f) The 2010 report also raised the issue of tobacco use among indigenous people. Consequently, the risks associated with tobacco use were highlighted during the annual meeting of the Inter-Agency Support Group on Indigenous Peoples' Issues, held in September 2010 in Geneva. The theme of the meeting was "Indigenous peoples' health";

(g) The Council, in its resolution 2010/8, requested the convening of a session focusing on multisectoral collaboration for the implementation of the Convention, referring to the 2010 report on the Task Force (E/2010/55 and Corr.1);

(h) Finally, members of the Task Force actively contributed to the work mandated by the Conference of the Parties in recent years through their observer status to the Conference of the Parties. Some key examples include: the participation and input to the work of the Intergovernmental Negotiating Body on a Protocol on Illicit Trade in Tobacco Products (World Customs Organization, United Nations Office on Drugs and Crime, ILO, World Bank, World Trade Organization, WHO); the intergovernmental working groups to elaborate guidelines on different articles of the Convention (FAO, ILO, World Bank, World Trade Organization, WHO, UNEP); the intergovernmental seminar on trade-related aspects of implementation of the WHO Convention (WIPO, World Trade Organization, WHO, UNCTAD); the regional workshops on the implementation of the Convention (World Bank, WHO, UNDP); needs assessments in lower resource countries (United Nations/UNDP country offices, WHO); as well as the sessions of the Conference of the Parties (ILO, World Bank, WHO, World Trade Organization, UNDP, Department of Economic and Social Affairs of the United Nations Secretariat). The input provided by the agencies was vital in achieving progress in respective treaty events and processes.

III. World Health Organization Framework Convention on Tobacco Control

10. The Convention is an evidence-based tool to save lives with the objective of protecting the present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke, in addition to continually and substantially reducing the prevalence of tobacco use and exposure to tobacco smoke (art. 3). The main provisions of the Convention include two critical areas, the reduction of demand for, and supply of, tobacco and the provisions covering multisectoral mechanisms, international cooperation and reporting on implementation of the Convention.

11. Within the Convention, there are two treaty bodies, the Conference of the Parties and the Convention secretariat. The Conference of the Parties is the governing body of the Convention and comprises all parties to the Convention. The Conference regularly reviews the implementation of the Convention and takes decisions necessary to promote its effective implementation. There have been four important sessions of the Conference of the Parties from 2006 to 2010. The fifth session will be held in November 2012 in Seoul. The Convention secretariat serves the Conference of the Parties and its subsidiary bodies. It supports the parties in fulfilling their obligations under the Convention, and ensures the necessary coordination with relevant international organizations under the guidance of the Conference of the Parties. The secretariat is responsible for implementation of the workplan adopted by the Conference of the Parties and is mandated by it for raising resources and mobilizing the relevant mechanisms to fulfil the activities under the workplan, with a particular focus on the needs of developing country parties and parties with economies in transition. The Convention secretariat performs its

functions in collaboration with the WHO Tobacco Free Initiative and other relevant offices of WHO and international partners.

IV. Synopsis of experiences, needs and outstanding issues with regard to the objectives of the Convention and its implementation

A. Demand-side measures of the Convention

12. Article 6 (Price and tax measures to reduce the demand for tobacco) relates to tobacco taxation and pricing as an effective public health measure to reduce demand. Evidence has shown that increasing tobacco taxes is the most cost-effective policy in reducing consumption. Youth and the poor are particularly sensitive to tobacco tax increases. There is an intergovernmental working group currently working on draft guidelines to article 6 to help parties to implement it. Draft guidelines are expected to be presented to the next meeting of the Conference of the Parties, in November 2012.

13. The following are key points of the guidelines related to article 6:

- Measures on taxation, including regular and above inflation increases in taxation levels need to be strengthened.
- Meaningful dialogue needs to be pursued and understanding promoted between health and finance ministries on progressive increases in tobacco taxes.

14. Article 8 (Protection from exposure to tobacco smoke) addresses the implementation of smoke-free areas in all public places regardless if they are indoor or outdoor. Effective measures to provide protection from exposure to tobacco smoke require the total elimination of smoking (100 per cent smoke-free). Guidelines for this measure have already been developed and adopted by the Conference of the Parties.

15. The following are key points of the guidelines related to article 8:

- Protection from tobacco smoke needs to be extended to cover the whole population by creating 100 per cent smoke-free environments in all indoor workplaces, indoor public places, public transport, and as appropriate in other public places, reinforcing legislative, administrative and regulatory capacity, in line with the guidelines.
- The capacity to enforce appropriate measures already in place needs to be strengthened.

16. Article 9 (Regulation of the contents of tobacco products) refers to the need for parties to strongly regulate the content of tobacco products through testing and measuring, and article 10 (Regulation of tobacco product disclosure) refers to the regulation of tobacco product disclosures. The purpose of testing and disclosing product information is to give regulators sufficient information to take action and to inform the public about the harmful effects of tobacco use. The Conference of the Parties adopted partial guidelines on articles 9 and 10 in 2010, with further work in progress by its working group on guidelines. The WHO Tobacco Free Initiative is

the secretariat and coordinating body of the WHO Study Group on Tobacco Product Regulation and the WHO Tobacco Laboratory Network. The Study Group advises WHO on scientifically sound possible recommendations to member States that address effective and evidence-based means in order to fill the regulatory gaps in tobacco control and achieve a coordinated regulatory framework for tobacco products. The Network brings together laboratories from around the world to match the tobacco industry's expertise in product-testing capabilities. Both the Study Group and the Network, through the Tobacco Free Initiative, have been working with the Conference of the Parties working group on articles 9 and 10 on guidelines for the implementation of those articles (partial guidelines have been adopted by the Conference of the Parties).

17. The following are key points of the guidelines related to articles 9 and 10:

- Use of ingredients aimed at increasing the attractiveness of tobacco products needs to be banned or restricted.
- Independent (non-tobacco industry run or influenced) testing facilities or laboratories within countries are either unavailable or countries lack access to another country's testing facilities. There is a lack of legislation on this matter and a need to disclose such information to the public.
- There is a clear and demonstrated need to build capacity at the regional level to verify the claims made by the tobacco industry; there is also a need to promote capacity-building and the sharing of best practices in order to strengthen regulatory mechanisms at the country level.

18. Under the provisions of article 11 (Packaging and labelling of tobacco products), parties are required to regulate the labelling and packaging of tobacco products, to include strong health warnings about the dangers of tobacco use as well as ban the use of terms on packages that can be misleading and give the wrong impression that some products are less harmful than others (e.g., terms such as "light", "mild", etc.). The guidelines adopted by the Conference of the Parties are available.

19. The following are the key points of the guidelines related to article 11:

- This is an area of great interest to the tobacco industry, and parties face tactics such as interference with the development of legislation, efforts to weaken the legislation, delays in the application of policies and filing of legal actions against the country.
- Technical assistance, if needed, should be provided and best practices within and across regions and in line with the guidelines should be shared.

20. Article 12 (Education, communication, training and public awareness) relates to raising public awareness of tobacco control issues through all available communications tools, such as campaigns, educational programmes and trainings. Guidelines on article 12 to help parties in implementing this measure have also been adopted.

21. The following are the key points of the guidelines related to article 12:

- There is insufficient public and media awareness about the specific harmful effects of tobacco use. Educational programmes, especially public awareness

campaigns, are resource intensive and thus may not be available. Sustained programmes are needed for greater impact.

- Public awareness campaigns that focus on gender issues in relation to tobacco, such as the 2010 World No Tobacco Day campaign carried out by WHO, which emphasized marketing directed at women, need to be implemented. The public needs to be educated about gender-specific marketing tactics employed by the tobacco industry in order to address how gender identity and gendered roles are manipulated by the industry.

- Technical assistance to parties needs to be promoted and provided in order to devise and implement a comprehensive communications strategy in line with the guidelines; sharing and access to educational campaign materials should be facilitated through various United Nations system agencies.

22. Article 13 (Tobacco advertising, promotion and sponsorship) refers to banning tobacco advertising, promotion, and sponsorship in the country. In order to be effective, the ban should cover all types of advertising, promotion and sponsorship conducted by the industry. Effective monitoring, enforcement and sanctions supported and facilitated by strong public education and community-awareness programmes will facilitate its implementation. The guidelines adopted by the Conference of the Parties for the implementation of this measure are available as well.

23. The following are key points of the guidelines related to article 13:

- The tobacco industry attempts to delay the introduction of, and circumvents, effective legislation; difficulties in tackling cross-border forms of advertising, with special regard to the Internet.

- There is a need for greater action on the part of Governments to mobilize support for appropriate measures and to provide technical assistance, where appropriate, and to share and promote good international practices, with special regard to curbing cross-border advertising at the subregional, regional and global levels.

24. Article 14 (Demand reduction measures concerning tobacco dependence and cessation) relates to providing support to reduce tobacco dependence and encouraging cessation. This includes counselling, psychological support, nicotine replacement, and education programmes for youth. Parties are encouraged to strengthen a sustainable infrastructure which motivates attempts to quit and provides resources to ensure available support services. Guidelines to implement this article have also been adopted.

25. The following are key points of the guidelines related to article 14:

- There is a lack of integrated strategies at the national level, national-level guidelines for the integration of cessation strategies into primary health-care systems and training and counselling facilities.

- Countries should be assisted in developing appropriate national strategies to implement provisions relating to cessation support; and cessation services should be integrated into various levels of their health-care infrastructure.

B. Supply-side measures of the Convention

26. Article 15 (Illicit trade in tobacco products) addresses the commitment of parties to implement measures aimed at eliminating all forms of illicit trade in tobacco products. A protocol on illicit trade in tobacco products is currently being negotiated by the parties to the Convention. The main elements of the protocol may include provisions to enact an effective legislation to combat illicit trade, implement markings to determine the point of diversion, develop a tracking and tracing regime, develop measures to enable confiscation, require licensing for all bodies engaging in the tobacco sector, monitor the market, collect and exchange data and promote cooperation between national agencies and with relevant international organizations. The most recent round of negotiations, which finalized a draft text for the Conference of the Parties at its fifth session, was held in Geneva from 29 March to 4 April 2012.

27. The key point to be made in respect of article 15 is that appropriate inter-agency support is needed in order to reinforce capacity for effective implementation, particularly at the developing country level and at the subregional/regional levels.

28. Article 16 (Sales to and by minors) requires parties to implement measures to prohibit the sales of tobacco products to and by minors as defined by domestic law.

29. The following are key points on implementation issues related to article 16:

- Effective enforcement, with a particular focus on adequate capacity for monitoring implementation, is needed; attention should also be given to the enforcement of laws against the sale of tobacco products by minors.
- Special attention should be paid to protecting minors in the implementation strategy, through appropriate communications and behavioural interventions.

30. Article 17 (Provision of support for economically viable alternative activities) aims to ensure the provision of support for economically viable alternative livelihoods to tobacco workers, growers and even individual sellers and to protect them from an eventual loss of their livelihood from tobacco in the future. A working group on the implementation of article 17 and article 18 (Protection of the environment and the health of persons) has been set up and is currently developing policy options and recommendations that will be presented at the fifth session of the Conference of the Parties for possible adoption by the parties.

31. The following are key points on implementation issues related to articles 17 and 18:

- Draft policy options and recommendations are being prepared for submission to the Conference of the Parties at its fifth session. Follow-up on the technical issues relating to framework and methodology is to be carried out with inter-agency partners.
- Special attention will be paid to protecting policies aimed at creating alternatives to tobacco growing from being dismantled by the tobacco industry.

C. Other areas covered by the implementation of the Convention

Surveillance and reporting of the implementation of the treaty and its impact on global health

32. With regard to article 20 (Research, surveillance and exchange of information), one aspect of surveillance and monitoring is to measure the magnitude, patterns and trends of the exposure to second-hand smoke and tobacco consumption as well as to measure the consequences of tobacco use and exposure to tobacco smoke. This is a key provision for building evidence in the decision-making process. The regular reports of the parties on implementation include information on any national surveillance and research programmes. At present, the information generated at the country level is not always of sufficient quality or comparable across countries. The Conference of the Parties has therefore called for the harmonization of the data collection and surveillance activities currently under implementation at the country level.

33. The following are key points on implementation issues related to article 20:

- There is limited national research and basic information (including prevalence data); sufficient national capacity and funding for research, monitoring and evaluation is lacking.
- There is a need to build technical capacity in research and establish surveillance programmes at the national, regional and global levels.
- Given that the guiding principles (art. 4) refer to the need to "take measures to address gender-specific risks when developing tobacco control strategies", it would be important to ensure that a gender analysis is undertaken as part of the planning for strengthening a multisectoral and inter-agency response to implementation of the Convention and for integrating it into the United Nations Development Assistance Frameworks.

34. Article 21 (Reporting and exchange of information) highlights the importance of the reporting and exchange of information. Parties are required to report periodically on the implementation of the treaty (every two years, as decided by the Conference of the Parties). This includes information on tobacco use and related health, social and economic indicators, legislation, constraints and barriers, financial and technical assistance and surveillance and research. Assistance in preparing the reports is also provided upon the request of a party.[2] Based on a decision by the Conference of the Parties, the secretariat is required to provide an analysis of the progress being made internationally in implementation of the Convention. Such reports were prepared annually between 2007 and 2010 and will be issued as biennial reports thereafter. The next report will be submitted to Conference of the Parties at its fifth session. More than 70 per cent of the parties have submitted their implementation reports, observing the timeline adopted by the Conference of the Parties.

35. The following are key points on implementation issues related to article 21:

- Timely reporting by the parties is essential.

[2] All reports are available from the WHO Convention secretariat website: http://apps.who.int/fctc/reporting/database.

- Capacity-building, through training and integration of reporting and exchange of information, needs to be promoted in national health information systems in order to ensure sustainability.

36. With regard to article 22 (Cooperation in scientific, technical and legal fields and provision of related expertise), less than half of the parties, overall, indicated any kind of assistance received or provided for any treaty-related activity. On the one hand, most of the assistance received or provided was in the area of establishing and strengthening national tobacco control strategies, plans and programmes. On the other hand, the least amount of international cooperation occurred in the area of tobacco-use cessation.

37. The following are key points on implementation issues related to article 22:

- Further facilitation of information sharing may improve cooperation in relation to compliance with various requirements of the Convention and may strengthen platforms for international cooperation.
- Such cooperation should be promoted through existing global, regional and subregional mechanisms.

D. Cross-cutting areas for multisectoral assistance at the global and country levels

38. General obligations under the Convention state that each party should develop, implement and review comprehensive multisectoral national tobacco control strategies, plans and programmes in accordance with the Convention. The challenges that the parties face at the national level relate to the effective functioning of national coordination mechanisms, legislative, administrative and regulatory frameworks. This is particularly relevant when some of the important measures and provisions relating to the taxation of tobacco, education, broadcasting, combating illicit trade and so forth are not within the realm of the health ministry. In addition, article 4 of the Convention (Guiding principles), explicitly points out the need for comprehensive multisectoral mechanisms. Therefore, the challenges related to multisectoral coordination form the core of the implementation strategy.

39. Regarding article 4 (Guiding principles) and article 5 (General obligations), 59 per cent of the parties reported that they had developed and implemented comprehensive and multisectoral national tobacco-control strategies, plans and programmes (art. 5 (1)). A national multisectoral coordinating mechanism exists in 68 per cent of the parties (art. 5 (2) (a)). In relation to article 5 (2) (b), 95 parties (66 per cent) reported having tobacco control legislation or a relatively comprehensive set of measures in place prior to ratification of the Convention. Of these, 79 parties strengthened their national legislation after ratifying the Convention. Of the 49 parties (34 per cent) that did not have legislation dating from prior to ratification of the Convention, 42 parties adopted legislation after ratification, but, in 7 parties, national legislation is still missing. Fifty-one per cent of parties reported having taken action to protect their tobacco-control policies from the interests of the tobacco industry (art. 5 (3)).

40. The following are key points on implementation issues related to articles 4 and 5:

- Adequate technical and financial resources and capacities for tobacco control are lacking; effective national legislation on tobacco control is lacking; the tactics of the tobacco industry hinder the effective implementation of legislation or interfere with the development of such legislation; there is either a lack of or insufficient political will or intersectoral cooperation in tobacco control; tobacco control should be made a priority for non-health sectors.
- National multisectoral coordination mechanisms need to be strengthened. This could be accomplished jointly under the United Nations coordination framework at the country level.

41. The 2008 report of the Secretary-General (E/2008/59) identified the multisectoral challenges associated with the treaty as crucial for the implementation of the Convention. Additionally, the report highlighted the fact that the prevalence of tobacco use was included as an indicator of sustainable development by the Commission on Sustainable Development, a highly important development in the context of the United Nations Conference on Sustainable Development (Rio+20).

42. Tobacco and poverty are closely associated. Tobacco prevalence is higher among the poor, and the income spent on tobacco often comes at high opportunity costs, with important resources being steered away from essential needs such as education and health, especially in the light of the limited resources of the poor. The WHO Tobacco Free Initiative provided more evidence on the link in two of its publications, *The Millennium Development Goals and Tobacco Control: An Opportunity for Global Partnership* and *Systematic Review of the Link Between Tobacco and Poverty*.

43. More recently, the 2010 report of the Secretary-General (E/2010/55) called again for inter-agency support for the implementation of the Convention and recommended that the implementation should be integrated under the United Nations Development Assistance Framework as a single United Nations strategy at the country level.

44. At its fourth session, in November 2010, the Conference of the Parties took note of the above-mentioned report of the Secretary-General and emphasized, among other issues, the need to urge the Task Force to support multisectoral and inter-agency coordination for the strengthening of the implementation of the Convention within the whole United Nations system.

45. At that session, the Conference also took note of the action points, contained in the report, on the implementation of the Convention under the United Nations Development Assistance Frameworks. The session reaffirmed that the implementation of the Convention under the Frameworks is a strategic approach ensuring long-term and sustainable implementation, monitoring and evaluation of the implementation progress for developing country parties and parties with economies in transition, and it encouraged those parties to utilize the opportunities for assistance under the Frameworks.

46. Also at the fourth session, the Conference of the Parties decided to call upon parties, in particular the developed country parties, to include support to the implementation of the Convention as an eligible area of bilateral assistance programmes, provided that this assistance could be eligible to official development assistance.

47. The decisions of the Conference of the Parties were based on the information on joint needs assessments conducted during the pilot phase with developing country parties to the Convention (based on their request) in collaboration with WHO regional and country offices. The need to harmonize and align the implementation of the Convention with existing operating frameworks, such as the national health and development plans, and instruments, such as United Nations Development Assistance Frameworks, was highlighted. The joint needs assessment missions, in particular, involved interaction with the Resident Coordinator with a view to facilitating the inclusion of treaty implementation under the United Nations Development Assistance Framework, once the request was made.

48. In this context, the role of the United Nations system is very important because it can assist countries, in particular developing countries, in meeting their international obligations. On health issues such as tobacco control, WHO plays a prominent role but it needs support from other agencies at the country level.

49. It is also important to note that tobacco control is a key component of the control of non-communicable diseases. The Political Declaration of the High-level Meeting of the General Assembly on the Prevention and Control of Non-communicable Diseases showed the commitment of the global community to take serious actions to tackle non-communicable diseases. There was a clear consensus that non-communicable diseases should be considered a priority within the development agenda. In the Political Declaration, Heads of States and representatives of States and Governments specifically committed to accelerate the implementation by States parties of the WHO Framework Convention on Tobacco Control, recognizing the full range of measures, including measures to reduce consumption and availability, and encourage countries that had not yet done so to consider acceding to the Convention.

50. In the Declaration, special assignments were also given to WHO, in coordination with other United Nations system agencies, to support national efforts for non-communicable disease prevention and control. WHO will need to exercise a coordinating role within the United Nations system in promoting and monitoring global action against non-communicable diseases. An important element of this work will be to develop joint programmes at the country level, including the implementation of the Convention under the United Nations Development Assistance Framework, which will help to integrate non-communicable diseases and their modifiable risk factors. An important step forward is the joint letter sent by the Director General of WHO and the Administrator of UNDP to United Nations country teams in March 2012 on how to integrate the commitments of the Political Declaration on non-communicable diseases into the United Nations Development Assistance Framework design processes and implementation.

51. The reports of the Secretary-General, the decisions of the Economic and Social Council and the decisions of the Conference of the Parties show a broad synergy at the normative, technical and operational levels. This synergy is reflected in the decisions of the respective bodies which make references to the strengthening of multisectoral collaboration, inter-agency support and the implementation integration of the Convention under the United Nations Development Assistance Frameworks. This synergy has the potential to bring greater dividends in the context of the global response to non-communicable diseases.

Trade-related issues

52. In the preamble to the Convention, the Parties express the importance of giving "priority to their right to protect public health". This includes ensuring that threats of litigation cannot be used effectively to freeze or stop the implementation of the Convention.

53. The tobacco industry has been challenging in domestic litigation the implementation of tobacco control policies. So far, most cases have been decided in a manner favourable to public health. In their decisions, courts have often used the Convention as an important argument to justify adoption of tobacco control measures.

54. At the international level, new dimensions to litigation against tobacco control policies have appeared in which trade liberalization and investment protection instruments have been used by the tobacco industry or tobacco-exporting countries to challenge some States' national tobacco control measures. Some cases are currently being adjudicated under World Trade Organization law and international investment agreements; however, these challenges are against forceful, good faith efforts by States to reduce tobacco use in line with the provisions of the Convention and its guidelines.

55. International investment agreements include bilateral investment treaties and regional or bilateral trade agreements with investment provisions. Such agreements are concluded between States to protect investors from one State that invests in the other, with the purpose of attracting development and enhancing foreign investment. International investment agreements have increased exponentially in number over the past 20 years, with the result that almost every State, including parties to the Convention, have signed at least one such agreement. The agreements represent a potential risk to the parties to the Convention since they can be used to challenge the parties' national tobacco control measures. In order to address this potential problem, States could consider negotiating more sustainable development-friendly international investment agreements in the future, renegotiating or amending existing agreements or using interpretative or other means to clarify the legal interaction between the agreements and tobacco-control measures, including through decisions of the Conference of the Parties. It is important that States have the technical and substantive capacity for all of this.

56. With regard to trade issues, WHO undertook a study in 2001, with input from the World Trade Organization, on the impact of trade liberalization on tobacco use. The recent update of that study is entitled "Confronting the tobacco epidemic in a new era of trade and investment liberalization". WHO and the Convention secretariat are following closely current World Trade Organization discussions on the Trade-Related Aspects of Intellectual Property Rights and the Agreement on Technical Barriers to Trade relating to the measures taken by the World Trade Organization members/parties to the Convention in respect of additives to and plain packaging of tobacco products. There is also a WHO in-house task force, comprising members of the Department of Public Health, Innovation and Intellectual Property, the Department of the Tobacco Free Initiative and the Convention secretariat, to examine the relationship between public health and trade, in particular with regard to tobacco-control issues. In addition, with regard to existing disputes involving bilateral investment treaties, the WHO Director General has reiterated the support of WHO to the countries facing such disputes.

57. Following a decision by the Conference of the Parties at its fourth session (FCTC/COP4(18)), WHO and the Convention secretariat are developing, with input from the World Trade Organization, a comprehensive report for presentation to the Conference of the Parties at its fifth session that explores options for cooperation with the World Trade Organization on trade-related tobacco control issues as a means of strengthening the implementation of the Convention, and that makes recommendations on the feasibility of implementing the identified options. The Convention secretariat was also requested to facilitate information-sharing with and between the parties on trade-related aspects of tobacco control, which has commenced with the holding of an intergovernmental workshop for health and trade representatives, with the participation of WHO, WIPO, the World Trade Organization and UNCTAD.

58. The following are key points on trade-related issues:

- It should be clarified at global trade forums that World Trade Organization agreements and implementation of the Convention are not incompatible as long as the Convention is implemented in a non-discriminatory fashion and for reasons of public health.
- Countries should be provided with "toolboxes" for use by their Governments to ensure that effective tobacco control and trade and investment measures are implemented synergistically.

E. General action points

59. Participants at the special meeting of the Task Force were in agreement that the implementation of the Convention at the country level needed multisectoral input and that therefore inter-agency collaboration to support the implementation was crucial. This can be done through:

- Providing expert input and advice on specific areas of implementation of the Convention, which are within the respective mandate and competencies of Task Force members.
- Creating an effective assistance mechanism at the national level, in particular through integration of Convention implementation in United Nations Development Assistance Frameworks, especially in the context of non-communicable disease prevention and control.
- Giving confidence to developing countries, in particular the least developed countries, on the availability of institutional support.
- Harnessing the good will of line ministries at the country level by the respective Task Force member agencies in their respective domains.
- Promoting the "whole-of-Government approach" and multisectoral collaboration in a meaningful and effective manner.

V. Areas of collaboration among agencies for the implementation of the Convention

60. Pursuant to the thrust of the report of the Secretary-General (E/2010/55 and Corr.1) and the mandate of Economic and Social Council resolution 2010/8, WHO will continue to coordinate and participate actively in the multisectoral response and assistance received from the members of the Task Force and in the work undertaken towards maximizing the efforts of the Task Force in respect of implementation of the Convention and the decisions of the Conference of Parties across regions and countries. It will do this through the work and mandates of the Convention secretariat, the Tobacco Free Initiative department and other relevant WHO entities, in the spirit of a whole-of-WHO working approach.

61. In addition to the WHO contribution to assist the parties in strengthening their capacity to implement specific provisions of the Convention, the areas of collaboration indicated by other Task Force members to help to facilitate the implementation of the Convention under the relevant articles, based on their expertise, resource endowment and comparative advantage, are set out below.

Article of the Convention	*Agency*	*Specific action*
Article 5 (General obligations)	UNDP	Take into account requirements of article 5 in the UNDP country-level role as convener and coordinator, where appropriate and under its governance programmes
Article 6 (Price and tax measures to reduce the demand for tobacco)	World Bank	– Support countries with the design, implementation and evaluation of tobacco tax policies, upon countries' demand. This effort would complement ongoing efforts by WHO Tobacco Free Initiative in this area – Collaborate with the Convention secretariat to assess the possibility of having joint needs assessment missions with regard to article 6 issues – Conduct research to assess the potential regressivity of tobacco taxes as well as the impact of tobacco use in poverty – Conduct research on the effects of tax in cases on tobacco economic agents, in particular farmers, as well as illicit tobacco trade
Article 8 (Protection from exposure to tobacco smoke)	ILO	Implement the ILO SOLVE programme (an interactive educational programme designed to assist in the development of policy and action to address health promotion issues at the workplace) to promote smoke-free workplaces

Article of the Convention	*Agency*	*Specific action*
Article 12 (Education, communication, training and public awareness)	United Nations Educational, Scientific and Cultural Organization (International Bureau of Education)	– Include tobacco awareness in school curriculums and teacher trainings – Promote smoke-free schools
	World Bank	Integrate tobacco control in education programmes within trust funds
Article 15 (Illicit trade in tobacco products)	World Customs Organization, World Trade Organization	Provide support to the future implementation of the Protocol to eliminate illicit trade in tobacco products
Article 17 (Provision of support for economically viable alternative activities)	FAO (Agriculture Department)	Provide technical support in tobacco growing areas for sustainable crop production intensification with the goal to diversify production, reduce environmental and health impact and reduce the risks of tobacco growers in depending on one single product (subject to funding)
	FAO (Economic and Social Development Department)	Provide updates on world tobacco production and market situation (subject to funding: minimum budget required $50,000)
	UNCTAD	– Collaborate with key partners, including international agencies to conduct research and analysis of the tobacco supply chain "from the farm to the cigarette" – Conduct a policy review of tobacco-producing developing countries (including diversification options)
	ILO	– Expert input to the Convention working group on articles 17 and 18 – Update a 2003 study on the state of employment in the tobacco sector globally (forthcoming November 2012 report) – Develop an economic and labour market analysis; a toolkit on agricultural cooperatives; training materials for establishing small enterprises and for local development; value chain development tools (rural) and rural skills development tools – Develop research on diagnostic and scope studies on decent work, food security and alternatives for tobacco growers – Promote social dialogue to support economically viable livelihoods for tobacco growers and workers

Article of the Convention	*Agency*	*Specific action*
	UNEP	Promote a green economy framework for economically viable alternatives for tobacco growers and workers
	WIPO	While not specific to the implementation of the Convention, WIPO provides technical assistance and capacity-building support to actions by Governments and institutions to help farmers to add value to their crops and agribusinesses using branding and intellectual property tools
Article 18 (Protection of the environment and the health of persons)	UNEP	Provide technical assistance related to: – Sound management of chemicals in tobacco growing – Environment audits, impact assessments of tobacco growing – Integrating tobacco-related issues within national environmental protection programmes
Articles 20, 21 and 22 (Research, surveillance and exchange of information; Reporting and exchange of information; and Cooperation in the scientific, technical and legal fields and provision of related expertise)	UNCTAD	Share databases and information on: – Developing trade information systems on tobacco jointly with WHO – Trade indicators such as export revenue – Trade data (all bilateral official trade data) – Border measures, including import tariffs, tariff-rate quotas – Non-tariff measures
	UNDP	Integrate Convention/Non-communicable diseases reporting into the *Human Development Report*
	World Bank	– Cooperate with WHO for harmonizing surveys on tobacco, such as the Living Standards Measurement Study, and provide input in respect of existing questions on tobacco in WHO surveys – Cooperate with the Convention secretariat to analyse data collected from the reporting instrument
	ILO	Information/knowledge-sharing on: – Databases on labour market indicators, including employment data in the tobacco sector – Occupational injuries statistics from household surveys – Databases on labour standards

Article of the Convention	*Agency*	*Specific action*
		– Databases on child labour
		– Decent work country profiles and programmes
Cross cutting issues		
Development	UNDP	– Integrate issues related to the Convention/ non-communicable diseases into discussions held at Rio+20 and into post-Millennium Development Goals discussions
		– Incorporate issues related to the Convention/ non-communicable diseases into the Millennium Development Goals acceleration framework (focus on Goals 4 and 5)
		– Integrate issues related to the Convention/ non-communicable diseases into United Nations Development Assistance Framework processes/guidelines/policy coherence
		– Support operational research to ensure that development instruments (e.g., social protection) do not negatively impact progress in combating non-communicable diseases
	UN-Women	– Advocate for the inclusion of gender advocates and women's organizations at all levels of policymaking and the implementation of the Convention
		– Advocate for the elimination of the targeted marketing of tobacco products towards women, particularly young women, and support the promotion of gender-specific tobacco control strategies that have an impact on women's health
	UNCTAD	– Raise awareness among developing country policymakers about the possible interaction between international investment agreements and the Convention
		– Assist in providing sustainable approaches to the (re)negotiation and interpretation of international investment agreements
Trade (and investment)	UNCTAD	Promote coherence between international investment agreements and other public policies/bodies of international law (e.g., the Convention)
	UNCTAD and World Trade Organization	Update analysis on trade and tobacco control (e.g., implications of existing and new agreements, regional blocks, etc.). This will be in the report to the Conference of the Parties at its fifth session

Article of the Convention	*Agency*	*Specific action*
	World Bank	Help to facilitate an internal dialogue among World Bank colleagues involved in trade-related issues and those involved in public health issues, with a view to furthering examination of the relationship between trade and tobacco

VI. Conclusions and recommendations

A. Conclusions

62. The following conclusions can be drawn from the present report:

- **Effective implementation of the Convention at the country level can only be successful through coordinated and complementary work among agencies, where each can bring in its own expertise and comparative advantage.**
- **Support of Task Force members needs to take into account the political, technical and operational dimensions of the work and their interactions.**
- **The Task Force can play a key role to ensure policy and programme coherence at both the multilateral and national levels to avoid overlap and to build strategies on existing policy frameworks and tools.**
- **Task Force gatherings should be organized at shorter intervals in order to be able to be aligned with the international dialogue held in the context of Rio+20, the follow-up to the High-level Forum on Aid Effectiveness, held in Busan, Republic of Korea, in 2011, the post-2015 development agenda, the sessions of the Economic and Social Council and developments related to the "Delivering as one" trust fund.**

B. Recommendations

63. The following recommendations are submitted to the Economic and Social Council:

At the political level and on general directions

- **Commitment is needed from agencies at the highest levels and the approach needs to be United Nations-wide. This commitment should be translated into concrete action to extend support, particularly to the developing countries.**
- **The Convention should be promoted by means of a whole-of-Government approach.**
- **Communication on tobacco control should be expanded to reach out to a larger audience, beyond that of tobacco control/health professionals, by highlighting the tobacco control efforts within the context of the prevention and control of non-communicable diseases.**

- **Expertise should be brought in to translate tobacco control initiatives into economic gains in order to promote decision-making at the policy level.**
- **The work of the United Nations as a whole should be protected from the interference of the tobacco industry.**

At the technical level

Each member of the Task Force has a particular contribution to make in order to facilitate implementation of the Convention, corresponding with the specific activities contained in the text and table of section IV above.

At the operational level

Members of the Task Force are encouraged to:

- **Create an effective assistance mechanism at the national level, in particular through integration of Convention implementation in United Nations Development Assistance Frameworks.**
- **Create a "One United Nations" coordinated approach to the implementation of the Convention.**
- **Integrate the Convention within the future work to be carried out on non-communicable disease control, in view of the fact that tobacco is also a precursor to other risk factors for non-communicable diseases.**
- **Ensure that there is policy coherence at both the national and international levels when developing action plans on Convention implementation at the country level.**
- **Take advantage of existing tools within different organizations to strengthen inter-agency collaboration with regard to the implementation of the Convention, including the organization of joint missions, resource mobilization efforts and intersectoral support.**

Annex

Members of the Ad Hoc Inter-Agency Task Force on Tobacco Control

Department of Economic and Social Affairs

Food and Agriculture Organization of the United Nations

International Civil Aviation Organization

International Labour Organization

International Monetary Fund

Office of the United Nations High Commissioner for Human Rights

Secretariat of the Permanent Forum on Indigenous Issues

Secretariat of the World Health Organization Framework Convention on Tobacco Control

United Nations Children's Fund

United Nations Conference on Trade and Development

United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women)

United Nations Development Programme

United Nations Educational, Scientific and Cultural Organization

United Nations Environment Programme

United Nations Fund for International Partnerships

United Nations Office on Drugs and Crime

United Nations Population Fund

World Bank

World Customs Organization

World Health Organization

World Intellectual Property Organization

World Trade Organization

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New York, 2-27 July 2012
Item 6 of the provisional agenda**
Implementation of and follow-up to major United Nations conferences and summits

Report on the main decisions and policy recommendations of the Committee on World Food Security

Note by the Secretary-General

I have the honour to transmit to the General Assembly and the Economic and Social Council a report on the main decisions and policy recommendations of the Committee on World Food Security.

* A/67/50.
** E/2012/100.

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I. Introduction

1. The purpose of the present document is to respond to Economic and Social Council decision 2011/217, in which the Council invited the Chair of the Committee on World Food Security of the Food and Agriculture Organization of the United Nations (FAO) to transmit to it every year, starting in 2012, a report on the main decisions and policy recommendations made, as well as the results achieved, by the Committee in the area of food security and nutrition, in accordance with its new roles and vision. More information regarding the new roles and vision of the reformed Committee can be found in A/66/76-E/2011/102 and A/65/73-E/2010/51.

2. The report begins by broadly outlining the approach of the Committee during its second year after the reform followed by a brief description of the main outcomes and decisions taken by the Committee at its thirty-seventh session, in October 2011, and, where appropriate, updates on follow-up actions. The final report on the thirty-seventh session (see annex) includes policy recommendations on such topics as food security and smallholder-sensitive investment in agriculture, gender, food security and nutrition and food price volatility.

II. Main decisions, recommendations and results

3. In 2011, the work of the Committee, its Bureau and its Advisory Group continued to benefit from some of the key features of the reform of the Committee, namely:

(a) More inclusive and expanded participation in the Committee by a wide range of relevant stakeholders to ensure that their voices are heard in policy debates on food security and nutrition;

(b) Increased intersessional activities to ensure more focused debates and discussions at the annual plenary sessions;

(c) Strengthened linkages between the work of the Committee at the global level with the regional and national levels;

(d) The inclusion of structured expertise through the creation of a high-level panel of experts on food security and nutrition;

(e) Support by the joint Committee on World Food Security secretariat, which now includes staff and financial contributions from FAO, the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP).

Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security

4. One key outcome of the Committee in 2011-2012 was the successful negotiation of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security. Negotiations, led by the Committee, were held in June, July and October 2011 and were finalized in March 2012. The guidelines are to be submitted to the Committee at a one-day special session in May 2012 for endorsement. They are intended to serve as a reference and to provide guidance to improve the governance of tenure of land, fisheries and forests with the goal of achieving food security for all and supporting

the progressive realization of the right to adequate food in the context of national food security.

Addressing food price volatility

5. Food price volatility was maintained as a high priority on the agenda of the Committee. It was the topic of one of the policy round tables held during the thirty-seventh session, which benefited from the flagship publication, jointly produced by FAO, IFAD and WFP, entitled *The State of Food Insecurity in the World 2011: How Does International Price Volatility Affect Domestic Economies and Food Security?* On the basis of the outcome of the round table, the Committee supported the establishment of the Agricultural Market Information System rapid-response forum and requested the Bureau to ensure appropriate links between the forum and the Committee. The Committee also requested that the international organizations, in consultation with other relevant stakeholders, develop a framework for a draft voluntary code of conduct for the management of emergency humanitarian food reserves for further consideration by the Committee.

Development of a global strategic framework on food security and nutrition

6. One of the key roles of the reformed Committee on World Food Security is to develop a global strategic framework for food security and nutrition in order to improve coordination and guide synchronized action by a wide range of stakeholders. The framework will be flexible so that it can be adjusted as priorities change and will build upon existing frameworks. The purpose of the framework is to serve as a dynamic instrument to improve coordination and guide synchronized action by a wide range of stakeholders in support of global, regional and country-led actions to prevent future food crises, eliminate hunger and ensure food security and nutrition for all human beings. An intensive and inclusive consultation process has been undertaken under the guidance of a Bureau-led working group in 2011 and 2012, including several rounds of online consultations and face-to-face multi-stakeholder consultations in Rome and at each of the FAO regional conferences held in early 2012. The consultation process will be finalized in Rome in July 2012 and the resulting first draft of the global strategic framework will be submitted to the Committee at its plenary session in October 2012.

High-level expert forum on addressing food insecurity in protracted crises

7. The Committee approved a proposal to organize a high-level expert forum on food security in countries in protracted crises. The purpose of the forum, which is scheduled for mid-September 2012, is to provide an opportunity for consultation and policy dialogue to increase understanding and strengthen collaborative efforts to deal more appropriately with food security and nutrition in protracted crises. An extensive consultation on the outcomes of the forum will be held with a view to elaborating an agenda for action for food security in countries in protracted crises for the consideration of the plenary in October 2012.

Principles for responsible agricultural investment

8. One of the outcomes of the policy round-table discussion held during the thirty-seventh session on the theme "How to increase food security and smallholder-sensitive investment in agriculture" was the establishment of a Bureau-led working

group to propose a consultation process within the Committee to prepare principles for responsible agricultural investment. The purpose is to offer policy guidance and a common understanding for Governments, international organizations, investors and other stakeholders to ensure that investments in agriculture have a positive impact on food security and nutrition. In order to ensure consistency and complementarity with the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security, it was agreed that such a consultation process should start after the approval of the guidelines. It was also agreed that the first step of the consultation would be to develop terms of reference outlining the scope, purpose, intended recipients and the structure, as well as the format, of the process, taking into account existing frameworks. Governments and other stakeholders were encouraged to report to the Committee on actions being taken to align international and domestic private and public investment in agriculture with food security concerns and to share lessons learned from national experiences. This reporting should be prepared in the context of a multi-stakeholder forum that replicates the inclusive vision of the Committee at the country level.

Mapping food security and nutrition actions at the country level

9. Efforts to improve the mapping of food security and nutrition actions at the country level continued in 2011, including the holding of a technical consultative workshop in May. The outcomes of the workshop were reported to the Committee at its thirty-seventh session and were supported by lessons learned from five country case studies. As part of its efforts to support food security and nutrition governance at the regional level, the Committee also recommended that the process to map food security and nutrition actions be considered during the FAO regional conferences in 2012 and that the outcomes of those discussions be presented during its October 2012 session.

Food security and nutrition terminology options paper

10. At its thirty-seventh session, the Committee requested that an options paper on the meaning and different uses, if any, of the terms "food security", "food security and nutrition", "food and nutrition security" and "nutrition security" be presented to the plenary. The purpose of the options paper is to improve the overall understanding of and coordination among stakeholders and to provide a standardized and agreed terminology that the Committee may use taking into account that nutrition is a key pillar of food security, as officially defined. The paper is currently in preparation and will be presented to the Committee in October 2012 for its consideration.

Update on the work of the High-level Panel of Experts on Food Security and Nutrition

11. At the thirty-seventh session, the High-level Panel of Experts on Food Security and Nutrition presented its first reports, requested by the Committee. The reports, on land tenure and international investments in agriculture and on price volatility and food security, fed into two policy round tables. Policy recommendations resulting from the discussions are provided in the annex. Studies on social protection and food security and on climate change and food security will be presented at the next session of the Committee, in October 2012. The High-level Panel of Experts on

Food Security and Nutrition has also been requested to include in its 2013 workplan studies on constraints to smallholder investment and on biofuels and food security.

Round table on hunger estimates

12. A round table to review methods used to estimate the number of the hungry was held in September 2011 to discuss state-of-the-art methods used for analysing and quantifying food insecurity and to seek agreement on future directions for research and policy analysis. The Committee endorsed the key findings and recommendations and requested the secretariat to report to it on progress achieved.

Annex

Report of the Committee on World Food Security on its thirty-seventh session

Summary

At its second session since reform, the Committee on World Food Security addressed nine agenda items corresponding to the roles of the Committee and further implementation of its reform. Organizational matters were dealt with in item I. In item II, opening statements were heard from the heads of the three Rome-based agencies, the United Nations Secretary-General and the Chair of the High-level Panel of Experts Steering Committee. In addition, the essence of *The State of Food Insecurity in the World 2011* was presented by the Assistant Director General, Economic and Social Department, Food and Agriculture Organization of the United Nations (FAO). The Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security were addressed in item III. Item IV included updates on global and regional initiatives. In item V, seven sessions were devoted to three round tables seeking policy recommendations on topics central to food security and nutrition. In item VI, ways to strengthen global coordination and national processes were addressed, including mapping food security and nutrition actions, progress made in preparing a global strategic framework for food security and nutrition and methods to estimate the number of the hungry. Item VII was devoted to implementing reform of the Committee, including changes to the rules of procedure and preparing a results-based framework and a multi-year programme of work and budget for the Committee. In item VIII, other matters such as an update on the implementation of the Committee's decisions, a proposal to enhance private sector participation in the Committee, arrangements for the thirty-eighth session and the election of a Chair and the new composition of the Bureau for 2012-2013, were addressed. The report of the session was adopted under item IX.

Suggested action by the Council

The Council is invited to acknowledge the outcomes of the thirty-seventh session of the Committee, at which the Committee:

(a) Mandated the Bureau to call for an additional negotiation session with the intent of finalizing the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security as soon as possible;

(b) Requested the High-level Panel of Experts on Food Security and Nutrition to include in its plans for future work, taking into account available resources, a comparative study of constraints to smallholder investment in agriculture in different contexts with policy options to address those constraints;

(c) Supported an inclusive consultation process within the Committee for the development and the broader ownership of principles for responsible agricultural investment that enhance food security and nutrition;

(d) Requested the Bureau to propose options on the meaning and different uses, if any, of the terms "food security", "food security and nutrition", "food and nutrition security" and "nutrition security";

(e) Requested the secretariat to continue to facilitate the process of developing and implementing country-level mapping of actions for food security and nutrition and to report on the progress of those actions at the thirty-eighth session of the Committee;

(f) Agreed to develop a global strategic framework for food security and nutrition, to be submitted to the Committee at its thirty-eighth session;

(g) Endorsed the proposal to create a suite of core food security indicators, including the development, adoption and promotion of internationally accepted standards, and strongly recommended that the Food and Agriculture Organization of the United Nations (FAO) improve its measurement of undernourishment, with special emphasis on improving the timeliness and reliability of the underlying data and parameters included in the methodology;

(h) Adopted the revised rules of procedure of the Committee set out (CFS:2011/9 Rev.1), and mandated the Bureau to further clarify and improve them to ensure conformity to the reform document and recommend adjustments to rule XXXIII of the FAO General Rules of the Organization by the next regular session of the Committee;

(i) Approved the results-based framework for the Committee and requested the secretariat to prepare a succinct annual report on expenditures against projected costs from available resources and further integrate the 2012-2013 programme of work and budget with the results-based framework to be presented to the Committee at its thirty-eighth session, in 2012;

(j) Approved the proposal to organize a high-level expert forum on food security in countries in protracted crises with a view to, inter alia, elaborating an agenda for action for food security in countries in protracted crises.

Suggested action by the FAO Conference

The FAO Conference is invited to acknowledge the outcomes of the thirty-seventh session of the Committee on World Food Security, whereby the Committee:

(a) Recognized the importance of following points that emerged from the updates on global and regional initiatives and linkages with the Committee, namely: (i) facilitating support for country-led efforts to achieve food security and nutrition; (ii) promoting accountability and sharing best practices at all levels; (iii) developing innovative mechanisms to monitor progress in achieving food security and nutrition objectives; (iv) providing a forum for mutual information, discussion and coordination of major food security and nutrition initiatives; and (v) operationalizing linkages with regional initiatives;

(b) Welcomed the outcomes from three round tables on the following themes: "How to increase food security and smallholder-sensitive investment in agriculture"; "Gender, food security and nutrition"; and "Food price volatility";

(c) Mandated the Bureau to recommend an update of rule XXXIII of the General Rules of the Organization so as to make it conform with the reform document.

I. Organizational matters

1. The Committee on World Food Security of the Food and Agriculture Organization of the United Nations (FAO) held its thirty-seventh session from 17 to 22 October 2011 at FAO headquarters in Rome. The session was attended by delegates representing 114 members of the Committee, 21 observers and participants from:

- 8 United Nations agencies and bodies
- 82 civil society and non-governmental organizations
- 3 international agricultural research organizations
- 5 international and regional financial institutions
- 31 private sector associations and private philanthropic foundations

2. The session was opened by the Chair, Noel De Luna of the Philippines. The Committee appointed a Drafting Committee composed of Afghanistan, Argentina, Canada, China, Equatorial Guinea, France, Japan, Mexico, New Zealand, Poland, the Russian Federation, South Africa and the Syrian Arab Republic, under the chairmanship of Gerda Verburg (the Netherlands).

3. The Committee was informed that the European Union was participating in accordance with paragraphs 8 and 9 of article II of the FAO Constitution.

II. Setting the stage for the thirty-seventh session

4. Opening statements were delivered by Jacques Diouf, Director General, FAO; Kanayo Nwanze, President, International Fund for Agricultural Development (IFAD); Josette Sheeran, Executive Director, World Food Programme; David Nabarro, Special Representative of the Secretary-General on Food Security and Nutrition; and Monkombu Sambasivan Swaminathan, Chair of the Steering Committee of the High-level Panel of Experts.

5. The Committee considered a presentation by Hafez Ghanem, Assistant Director General, Economic and Social Department, FAO, on *The State of Food Insecurity in the World 2011* on how international price volatility affects domestic economies and food security.

6. It was noted that the substance of the publication would be covered in the policy round-table discussions.

7. The presentation focused on the following key messages:

(a) The impact of price shocks and swings on food security is not uniform, with poorer countries being the hardest hit;

(b) The level and volatility of domestic food prices rose in most countries;

(c) High and volatile food prices are likely to continue in the future;

(d) Short-term price shocks can have long-term negative impacts on production, nutrition and livelihoods;

(e) High prices have potential benefits for farmers, especially if accompanied by appropriate policies and programmes for smallholder agriculture;

(f) Policy measures are needed at the national and global levels to reduce volatility and to protect vulnerable groups from its effects.

8. Some members expressed satisfaction with the effort by FAO to improve its methodology for measuring hunger and are looking forward to having estimates based on the new methodology in *The State of Food Insecurity in the World 2012*.

III. Voluntary Fuidelines for the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security

9. The Committee:

(a) Acknowledged the outstanding efforts that have been made by all stakeholders regarding the negotiations of the guidelines;

(b) Recognized that additional time will be required to complete the process and endorsed its continuation and finalization;

(c) Acknowledged the substantial progress gained so far and recommended building on the solid base that has been achieved, while concentrating on the remaining paragraphs and respecting and maintaining the spirit of understanding reached during the negotiations in July and October;

(d) Appreciated the commitment of member States to the completion of the guidelines;

(e) Recalled that the ultimate authority for approval of the guidelines rests with the member States;

(f) Mandated the Bureau, in consultation with the Advisory Group and the secretariat, to call for an additional negotiation session with the intent of finalizing the guidelines as soon as possible, taking into consideration the Committee's overall work programme and available resources;

(g) Requested the secretariat to ensure that during the upcoming negotiations, translation in all FAO languages is provided and that the current negotiated text is available in those languages.

IV. Updates on global and regional initiatives and linkages with the Committee

10. The Chair noted that the purpose of the session was to provide a platform for discussion to strengthen coordination and collaborative action at the global and regional levels among a wide variety of stakeholders.

11. The Committee welcomed the presentation of seven global initiatives:[1]

[1] Available presentations can be found on the Committee on World Food Security website, at: http://www.fao.org/bodies/cfs/cfs37/en/.

(a) The Group of 20 action plan on food price volatility and agriculture, by Bruno Le Maire, Minister of Agriculture, Food, Fisheries, Rural Affairs and Land Use Planning of France, on behalf of the Group of 20 Presidency;

(b) Update on the L'Aquila food security initiative, by Sujiro Seam, Chair of the Initiative and Deputy Director for Global Public Goods, French Ministry of Foreign and European Affairs;

(c) Principled multi-stakeholder partnerships for a comprehensive approach to food security and nutrition, by David Nabarro, Coordinator of the United Nations High-level Task Force on the Global Food Security Crisis and Special Representative of the Secretary-General on Food Security and Nutrition;

(d) Achieving the right to food: from global governance to national implementation, by Olivier de Schutter, United Nations Special Rapporteur on the Right to Food;

(e) Towards food and nutrition security for all: United Nations Standing Committee on Nutrition/Committee on World Food Security linkages: progress in the last 12 months, by Denise Costa Coitinho Delmuè, Executive Secretary, United Nations Standing Committee on Nutrition;

(f) Update of the Consultative Group on International Agricultural Research (CGIAR) Implementation Strategy and Results Framework, by Carlos Pérez del Castillo, Chair of the Consortium Board of CGIAR Centres;

(g) The World Trade Organization (WTO) and food security, by Clem Boonekamp, Director of the Agriculture and Commodities Division, WTO.

12. The Committee welcomed the following presentations of regional initiatives:

(a) The Comprehensive Africa Agriculture Development Programme: its achievements and how linkages with the Committee on World Food Security can be strengthened, by Tobias Takavarasha, Senior Officer for Agriculture Policy and Investment, New Partnership for Africa's Development;

(b) The Community of Portuguese Language Countries (CPLP) food and nutrition security strategy, by José Amaro Tati, Secretary of State for Agriculture, on behalf of the Government of Angola, and Domingos Simões Pereira, Secretary-General, CPLP;

(c) West Africa Charter for Food Crisis Prevention and Management, by Alhousseini Bretaudeau, Executive Secretary, Permanent Inter-State Committee on Drought Control in the Sahel;

(d) Responding to the 2011 drought emergency in the Horn of Africa, by Samuel Zziwa, Programme Manager, Intergovernmental Authority on Development;

(e) Asia-Pacific Economic Cooperation ministerial meeting on food security, Niigata City, Japan, October 2010: an overview, by Yutaka Sumita, Deputy Director General for International Affairs, Ministry of Agriculture, Forestry and Fisheries of Japan.

13. The Committee was also presented with the salient points from the regional multi-stakeholder workshop on food security and nutrition for the Near East and North Africa region, held in October 2011 in Cairo under the Committee's umbrella. Among its main recommendations, the workshop proposed the establishment of a

regional Committee on World Food Security-type platform to monitor food security in the region and enable policy practitioners to share information, good practices and lessons learned (CFS:2011/Inf.19).

14. Emerging from the discussions, the Committee recognized the importance of:

(a) Facilitating support for country-led efforts to achieve food security and nutrition;

(b) Promoting accountability and sharing best practices at all levels;

(c) Developing innovative mechanisms to monitor progress in achieving food security and nutrition objectives;

(d) Providing a forum for mutual information, discussion and coordination of major food security and nutrition initiatives;

(e) Operationalizing linkages with regional initiatives.

15. The Committee decided to include CPLP as an observer at its sessions.

V. Policy round tables

16. The Committee hosted three policy round tables on the following themes: (a) "How to increase food security and smallholder-sensitive investment in agriculture"; (b) "Gender, food security and nutrition"; and (c) "Food price volatility". The outcomes of the Committee's deliberations are set out below.

A. How to increase food security and smallholder-sensitive investment in agriculture

17. The Committee:

(a) Underlined the paramount importance of increased and improved investment in agriculture for achieving food security and nutrition for all;

(b) Recognized that the bulk of investment in agriculture is undertaken by farmers and smallholders themselves, their cooperatives and other rural enterprises, with the rest being provided by a number of private actors as well as Governments;

(c) Acknowledged that smallholder farmers, many of whom are women, play a central role in producing most of the food consumed locally in many developing regions and are the primary investors in agriculture in many developing countries;

(d) Welcomed the report of the High-level Panel of Experts on land tenure and international investments in agriculture, and took note of its recommendations;

(e) Took note of the report and recommendations resulting from the regional multi-stakeholder workshop on food security and nutrition for the Near East and North Africa region.

18. The Committee, therefore, urged member Governments, international partners and other stakeholders to follow up on the recommendations:

(a) To ensure that public investment, services and policies for agriculture give due priority to enabling, supporting and complementing smallholders' own

investment, with particular attention to women food producers who face specific difficulties and need specific policies and support;

(b) To ensure that agricultural policies and public investment give priority to food production and nutrition and increase the resilience of local and traditional food systems and biodiversity, with a focus on strengthening sustainable smallholder food production, reducing post-harvest losses and increasing post-harvest value addition, and on fostering smallholder-inclusive local, national and regional food markets, including transportation, storage and processing;

(c) To ensure that public policies and investment play a catalytic role in the formation of partnerships among agricultural investors, including private-public, farmer cooperative-private and private-private partnerships, to ensure that the interests of smallholders are being served and preserved by those partnerships, and to recognize that, in many cases, the State has a crucial role to play in facilitating the access of smallholders to credit, technical and extension services, insurance and markets;

(d) To give due attention to new market and environmental risks facing smallholder agriculture and design investments, services and policies so as to mitigate those risks and strengthen the ability of both women and men smallholders to manage them, and align investment in agriculture with environmental sustainability considerations;

(e) To actively involve organizations representing smallholders and agricultural workers in the formulation, implementation and evaluation of policies for investment in agriculture and in the design of investment programmes in agriculture and food value chains.

19. Furthermore, the Committee:

(a) Encouraged Governments and other stakeholders to report to the Committee as determined in the framework of "mapping food security actions at the country level", on actions being taken to align international and domestic private and public investment in agriculture with food security concerns, including progress made in the implementation of the foregoing recommendations, and to share lessons learned from national experiences; such reporting should be prepared in the context of a multi-actor forum that replicates at the country level the inclusive vision of the new Committee on World Food Security;

(b) Requested the High-level Panel of Experts to include in its plans for future work, taking into account available resources, a comparative study of constraints to smallholder investment in agriculture in different contexts, with policy options for addressing those constraints, taking into consideration the work done on this topic by IFAD, and by FAO in the context of its Committee on Agriculture, and the work of other key partners. This should include a comparative assessment of strategies for linking smallholders to food value chains in national and regional markets and of what can be learned from different experiences, as well as an assessment of the impacts on smallholders of public-private as well as farmer cooperative-private and private-private partnerships;

(c) Recognized the urgent need to finalize the negotiations on the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests

in the Context of National Food Security, which will underpin smallholder investment in agriculture;

(d) Supported an inclusive consultation process within the Committee for the development and the broader ownership of principles for responsible agricultural investment that enhance food security and nutrition, and acknowledged that the first step of the process would be to develop terms of reference that included the scope, purpose, intended recipients and structure of those principles, as well as the format of the consultation process, taking into account existing frameworks, such as the principles for responsible agricultural investment, developed by FAO, IFAD, the United Nations Conference on Trade and Development and the World Bank; decided that the consultation process would be initiated promptly after the approval of the guidelines and would be overseen by the Bureau of the Committee, with the assistance of the joint secretariat and in close collaboration with the Advisory Group and the involvement of all interested stakeholders, with a view to submitting the principles for the consideration of the Committee; and noted that the consultation process would seek to ensure consistency and complementarity with the guidelines;

(e) Urged the explicit recognition of smallholder-sensitive investment among the criteria for characterizing responsible corporate investment in agriculture, and noted that the definition of that term should be addressed specifically in the consultation on responsible investment in agriculture;

(f) Requested the secretariat of the Committee, in collaboration with the Advisory Group and on the basis of the information made available by the relevant stakeholders, to prepare a general report on the state of implementation of the foregoing recommendations to be presented to the Committee.

B. Gender, food security and nutrition

20. The Committee:

(a) Recognized that achieving food security and adequate nutrition for women, men and their families are interlinked with comprehensive development efforts and urged all stakeholders to take concrete actions to improve women's health, educational and nutritional status;

(b) Called upon member States, international organizations and other stakeholders to recognize that advancing human rights is critical for achieving world food security and nutrition;

(c) Urged member States, through measures including affirmative action, when appropriate:

(i) To ensure women's meaningful participation in all decision-making processes related to achieving their progressive realization of the right to food in the context of national food security and nutrition;

(ii) To ensure that women have equal access to health, education, land, water and other natural resources, including by enacting gender-sensitive legislation;

(d) Urged member States to actively promote women's leadership and to strengthen women's capacity for collective organizing, especially in rural areas;

(e) Urged member States to develop a policy and legal framework with appropriate compliance monitoring to ensure women's and men's equal access to productive resources, including land ownership and inheritance, access to financial services, agricultural technology and information, business registration and operation and employment opportunities, and to enact and enforce laws that protect women from all kinds of violence, and noted that, where appropriate, member States should audit all existing laws for discrimination and amend discriminatory laws;

(f) Urged member States to involve women in the decision-making process with regard to national and international responses to global challenges to food security and nutrition;

(g) Called upon member States, international organizations and other stakeholders to include the improvement of women's, adolescent girls', infants' and children's nutritional status, including hidden hunger or micronutrient deficiencies and obesity as a new manifestation of malnutrition, as an explicit goal and expected outcome of agriculture, food security and nutrition-related programmes, emergency responses, strategies and policies, from design to implementation;

(h) Recalled the United Nations Convention on the Elimination of All Forms of Discrimination against Women and the Beijing Platform for Action, adopted at the Fourth World Conference on Women in 1995, and in particular its recommendations for advancing women's food security under the strategic objectives on macroeconomic and development policies, vocational training and continuing education, health, access to resources, employment, markets and trade and sustainable development;

(i) Urged the Bureau to encourage and engage as appropriate with the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) in the development of specific indicators, targets and timetables so as to measure progress made towards advancing women's food security, and to invite UN-Women to report on progress at the thirty-ninth session of the Committee;

(j) Took note of the report and recommendations relating to gender, food security and nutrition resulting from the regional multi-stakeholder workshop on food security and nutrition for the Near East and North Africa region;

(k) Called upon member States to support the adoption and implementation of maternity and paternity protection legislation and related measures that allow women and men to perform their caregiving role and thereby provide for the nutritional needs of their children and protect their own health, while protecting their employment security;

(l) Urged member States, international organizations and other stakeholders to work together to promote synergies and avoid wasteful duplication and to identify and support strategies, policies and actions to further strengthen gender-sensitive food security and nutrition, health and education interventions that scale up practical solutions for women, including the following:

(i) Statistics with regard to food security and nutrition should be disaggregated by sex and age;

(ii) Gender analysis and nutritional impact assessments should be conducted to inform food security and nutrition policy, programme and project design,

implementation, monitoring and evaluation, including the use of appropriate indicators, gender targets and funding;

(iii) Agricultural investments should meet the specific needs of both women and men, given that investments in land and other natural resources have an impact on women's food security; agricultural investment plans, policies and programmes should be designed so that women and men have equal access to programme services and operations, given women's and men's commitments to household economies and to child-rearing and recognizing their different needs;

(iv) Smallholder women farmers should be prioritized in agricultural programming to foster equity, and the specific food and nutritional needs of women, men and children should be taken into consideration;

(v) The adoption of safety net programmes should be supported, including home-grown meals at school and school gardens, which encourage girls' attendance at school and link the economic empowerment of women smallholders, food security and nutrition of girls in school with improved education outcomes;

(m) Recommended that gender be included in the monitoring mechanisms of current and future voluntary guidelines, including on the progressive realization of the right to adequate food in the context of national food security, responsible governance of tenure of land, fisheries and forests in the context of national food security and similar initiatives that will be discussed or endorsed by the Committee;

(n) Requested the Bureau, in consultation with the Advisory Group and joint secretariat, as well as with relevant international organizations, in particular the World Health Organization and the United Nations Children's Fund, to propose options on the meaning and different uses, if any, of the terms "food security", "food security and nutrition", "food and nutrition security" and "nutrition security" to the Committee for the standardization of the official terminology that the Committee should use, taking into account that nutrition is a key pillar of food security as officially defined;

(o) Requested the secretariat, in collaboration with the Advisory Group and on the basis of information made available by the relevant stakeholders, to prepare a general report on the state of implementation of the above recommendations to be presented to the Committee.

C. Food price volatility

21. The Committee:

(a) Stressed the need for concerted international efforts to address the structural causes of food price volatility and ensure that its impacts do not undermine small and marginal producers or consumers' right to food;

(b) Expressed its appreciation for the efforts of the High-level Panel of Experts for its work on price volatility and food security and took note of its report and recommendations thereon;

(c) Welcomed the Group of 20 action plan on food price volatility and agriculture as an effort to address a number of the main causes and implications of food price volatility and stated that it would welcome its endorsement by the Group of 20 at its November 2011 summit;

(d) Welcomed the outcome of the regional multi-stakeholder workshop on food security and nutrition for the Near East and North Africa region, and encouraged the regional members to deal with coordination issues at both the regional and the national levels;

(e) Took note of the assessment by FAO and other stakeholders of the positive and negative effects of different policy responses to high and volatile food prices, as discussed in the series of regional and subregional consultations organized by FAO in 2011;

(f) Recommended the following action points, their development and implementation, by the appropriate parties and stakeholders:

(i) Actions to increase food production and availability and to enhance resilience to shocks:

a. Increase stable and sustainable public and private investment to strengthen smallholder production systems, boost agricultural productivity, foster rural development and increase resilience, with particular attention to smallholder agriculture;

b. Promote a significant expansion of agricultural research and development and its funding, including by strengthening the work of the reformed Consultative Group on International Agricultural Research, supporting national research systems, public universities and research institutions and promoting technology transfer, the sharing of knowledge and practices, including for family farming, and capacity-building through North-South and South-South cooperation;

c. Support the development or review by member States, of comprehensive national food security strategies that are country owned and led, evidence based and inclusive of all key partners at the national level, in particular civil society and women's and farmers' organizations, and that promote policy coherence in the various sectors, including national economic policies, to address food price volatility;

d. Urge member States to explore measures and incentives to reduce waste and losses in the food system, including by addressing post-harvest losses;

(ii) Actions to reduce volatility:

a. Support the Agricultural Market Information System to enhance food market information and transparency, and urge the participating international organizations, private sector actors and Governments to ensure the public dissemination of timely and quality food market information products;

b. Acknowledging the need for countries to better coordinate responses in times of food price crises, support the establishment of an Agricultural Market Information System rapid response forum and request the

Bureau to ensure appropriate links between the forum and the Committee on World Food Security;

c. Improve transparency, regulation and supervision of agricultural derivative markets;

d. Noting that transparent and predictable international trade in food is crucial for reducing excessive price volatility and for maintaining a focus on building an accountable and rules-based multilateral trading system that takes into account food security concerns, in particular those of the least developed and net food-importing developing countries, support an ambitious, balanced and comprehensive conclusion of the Doha Development Round in accordance with its mandate;

e. Review biofuels policies, where applicable and necessary, according to balanced science-based assessments of the opportunities and challenges they may present for food security, so that biofuels can be produced where it is socially, economically and environmentally feasible to do so, and, accordingly, mandate the High-level Panel of Experts, with full consideration of resources and other priorities of the Committee, to conduct a science-based comparative literature analysis, taking into consideration the work produced by FAO and the Global Bioenergy Partnership, of the positive and negative effects of biofuels on food security to be presented to the Committee;

f. Request relevant international organizations, in consultation with all relevant stakeholders, to further assess the constraints and effectiveness of local, national and regional food reserves;

(iii) Actions to mitigate the negative impacts of volatility:

a. Increase the role of the State, where appropriate, to mitigate the negative impacts of volatility, including through the development of stable, long-term national social protection strategies and safety nets, addressing in particular vulnerable categories of populations such as women and children, that can be leveraged and scaled up in times of crisis, and reiterate, in this context, the mandate for a High-level Panel of Experts study on the matter, to be presented to the Committee at its thirty-eighth session;

b. Recommend the use of national and local social safety nets and local purchase mechanisms, whenever appropriate, for the delivery of food aid, while taking time, market, production, institutional and other relevant factors into account, in accordance with the rules of the multilateral trading system;

c. Endorse efforts requested by the Group of 20 for WFP and other international organizations and partners (such as the Economic Community of West African States) to support the development of a pilot project in West Africa for a targeted regional emergency humanitarian food reserve, consistent with annex 2 to the WTO Agreement on Agriculture;

d. Request that the international organizations, in consultation with other relevant stakeholders, develop a framework for a draft voluntary code of conduct for the management of emergency humanitarian food reserves, for further consideration by the Committee;

e. Develop risk management instruments, including for mitigating the impact of price shocks, and recommend their mainstreaming into national food security strategies focused on mitigating risk for the most vulnerable against food price volatility, with attention given to the inclusion of best practices and lessons learned for vulnerable small-scale food producers;

f. Welcome the decision by the Group of 20 to agree to remove food export restrictions or extraordinary taxes for food purchased for non-commercial humanitarian purposes by WFP and to not impose them in the future, and urge all member States to agree to the same principle;

g. Welcome increased international support for food assistance, especially in times of high and volatile food prices and on the basis of need, including under the framework of the Food Aid Convention;

(g) Recommended that FAO, IFAD, WFP and other relevant international organizations and Committee on World Food Security stakeholders reinforce the policy dialogue among themselves and member States with a view to enhancing the adoption and implementation of the foregoing recommendations at all appropriate levels;

(h) Requested the secretariat to prepare, in collaboration with the Advisory Group and on the basis of information made available by the relevant stakeholders, a general report on the state of implementation of all of the foregoing recommendations and action points, to be presented to the Committee on a date to be decided by its Bureau.

VI. Global coordination and support for national processes

A. Mapping food security and nutrition actions at the country level: the way forward and country case studies on mapping

22. The Committee considered the progress made since its thirty-sixth session, which was further supported by five case studies examining experiences with and lessons learned from mapping food security and nutrition actions, in Nigeria, Madagascar, the West Bank and Gaza Strip (Palestinian Territories) and Cambodia and under the Regional Programme for Food Security and Nutrition in Central America, based in El Salvador.

23. The Committee:

(a) Requested the secretariat to continue to facilitate the process of developing and implementing country-level mapping of food security and nutrition and to provide an update to the Committee at its thirty-eighth session;

(b) Encouraged interested stakeholders and relevant sectors to participate in assisting countries with the development and implementation of mapping food security and nutrition actions and to form appropriate multi-sectoral and multi-stakeholder partnerships, and encouraged the harmonization of methods;

(c) Recommended that additional national Governments be invited to make presentations at the thirty-eighth session of the Committee, with a view to sharing the results of the mapping of food security and nutrition actions with other national

Governments, exchange experiences among countries and international actors and obtain their support for the country-level mapping process;

(d) Recommended that adequate resources be made available to fund follow-up activities to provide interested countries with technical support for the development and implementation of food security and nutrition mapping systems as part of their national development monitoring efforts;

(e) Recommended that the process to map food security and nutrition actions be made an integral part of national information systems covering the food and agricultural sector;

(f) Encouraged the use of a standard methodology in the process to map food security and nutrition actions at the country level;

(g) Recommended that the process to map food security and nutrition actions be considered during FAO regional conferences that will be held in 2012, with the outcomes of the discussions to be presented to the Committee at its thirty-eighth session;

(h) Requested the secretariat to work with the appropriate stakeholders to facilitate the development of systems to consolidate and disseminate the results of food security and nutrition mapping, to improve the alignment and coordination of the international community in support of national and regional strategies and policies and to submit a progress report on this process to the Committee at its thirty-eighth session.

24. The Committee also endorsed the recommendations in section IV of document CFS:2011/7.

B. Status of the global strategic framework

25. Bearing in mind the agreement of member States to develop a global strategic framework for food security and nutrition, to be submitted to the Committee at its thirty-eighth session, and considering the progress made so far, the Committee:

(a) Acknowledged the Bureau-led consultative and inclusive process that has led to an agreement among participating stakeholders on the proposed purposes, basic principles, structure and process of the global strategic framework (CFS:2011/Inf.14), the global strategic framework annotated outline (CFS:2011/Inf.13) and the online consultation to solicit feedback from a wide range of stakeholders on the annotated outline, which will be taken into consideration when preparing the first draft;

(b) Underlined the critical role of planned consultations on the global strategic framework and encouraged all stakeholders to participate in them actively at the international and regional levels in 2012, including by mobilizing resources to ensure that the voices of all relevant stakeholders, particularly those most affected by food insecurity, are heard;

(c) Underlined the role of the global strategic framework as a dynamic instrument reflecting and consolidating the ongoing policy convergence work of the Committee, and determined that the decisions and recommendations of the Committee at its thirty-seventh session with respect to food price volatility,

smallholder-sensitive investment in agriculture and gender, food security and nutrition would be incorporated and developed, as appropriate, in the final draft of the framework.

C. Review of methods to estimate the number of the hungry

26. The Committee welcomed the report of the round table on monitoring food security, held on 12 and 13 September 2011 in Rome, and the key findings and recommendations contained therein. In particular, the Committee:

(a) Endorsed the proposal to create a suite of core food security indicators and the process of doing so as described in the document, including the development, adoption and promotion of internationally accepted standards;

(b) Strongly recommended that FAO improve its measurement of undernourishment, with special emphasis on improving the timeliness and reliability of the underlying data and parameters included in the methodology;

(c) Strongly encouraged FAO and other relevant agencies to strengthen their capacity-development efforts in order to enhance both basic food and agricultural statistics and specific food security monitoring systems;

(d) Urged countries to strengthen their national information systems on food security and nutrition;

(e) Underlined the need to better integrate all actions related to food security and nutrition information at all levels, and encouraged the mobilization of resources to that end;

(f) Recommended that the dialogue between policymakers, statistical agencies and data providers be further intensified in order to better identify and link information needs for the design, implementation and monitoring of food security policies to the supply of such information;

(g) Called upon the secretariat to report to the plenary on progress regarding recommended actions; the Bureau of the Committee, in consultation with the secretariat and the Advisory Group, would decide on the timing and other modalities of this reporting in accordance with the Committee's work programme and available resources.

VII. Implementation of the reform of the Committee on World Food Security

A. Rules of procedure

27. The Chair and the secretariat introduced the revised rules of procedure of the Committee on World Food Security (CFS:2011/9 Rev.1) and the Committee subsequently adopted them.

28. The Committee also:

(a) Mandated the Bureau to recommend an update of rule XXXIII of the FAO General Rules of the Organization by the next regular session of the

Committee, to be forwarded to the next FAO Conference in June 2013 so as to make it conform with the Committee's reform document as well as with the revised rules of procedure, and noted that due regard should be paid to the text and spirit of the reform document in the meantime;

(b) Reaffirmed the importance of the reform document, which should continue to serve as the main reference document regarding the status of the reformed Committee, including with respect to the interpretation of the rules of procedure;

(c) Requested the Bureau to further analyse, in coordination with the relevant agencies, the modalities and requirements whereby a system of rotation of the Committee Secretary among FAO, IFAD and WFP could be implemented, including the required qualifications and terms of reference for the Secretary as well as the reporting lines, with a view to allowing the Committee to make an informed decision on the matter at its next regular session;

(d) Requested the Bureau, in coordination with the relevant agencies, to further analyse the modalities and requirements for inclusion in the secretariat of other United Nations entities directly concerned with food security and nutrition with a view to allowing the Committee to take an informed decision on the matter at its next regular session.

29. The Committee outlined a number of areas in which its rules of procedure should be further clarified and improved, including procedures to elect the Chair, such as term limits and eligibility for re-election, deadlines for the nomination of the candidates and regional rotations. The procedures for the election of the Bureau members and their alternates should be clarified as well. Those improvements, together with a proposed revision of rule XXXIII of the General Rules of FAO, which would have to be approved by the FAO Conference, are to be presented to the Committee at its thirty-eighth session.

B. Results-based framework

30. The Committee:

(a) Approved the results-based framework as a dynamic document, recognizing that refinements are required;

(b) Requested the secretariat to prepare, on the basis of commitments made since the reform of the Committee, a succinct annual report on expenditures against projected costs from available resources;

(c) Requested the Bureau to work with the secretariat to further integrate the 2012-2013 programme of work and budget with the results-based framework with a view to preparing a more detailed and prioritized multi-year programme of work and budget to be presented to the Committee at its thirty-eighth session.

VIII. Other matters

A. Update on decisions: high-level expert forum on addressing food insecurity in protracted crises

31. The Committee:

(a) Approved the proposal to organize a high-level expert forum with a view, inter alia, to elaborating an agenda for action for food security in countries in protracted crises;

(b) Agreed that the Bureau would oversee the modalities for the organization of the high-level expert forum in collaboration with the secretariat, the Advisory Group and the High-level Panel of Experts, as appropriate, and that the report of the outcomes of the forum would be considered by the plenary of the Committee;

(c) Approved the proposal to conduct an extensive consultation process with all stakeholders on the outcome of the forum with a view to presenting a proposed agenda for action for food security in countries in protracted crises for the consideration of the plenary of the Committee as appropriate;

(d) Agreed that the Bureau would decide on the dates of the forum, taking into consideration the overall programme of work of the Committee.

B. Proposal for enhancing corporate private sector participation in the Committee

32. The Committee acknowledged the proposal for modalities for private sector participation in the Committee (CFS:2011/Inf.15) and expressed appreciation for the constructive involvement by the private sector in its work.

C. Arrangements for the thirty-eighth session

33. The Chair recommended that the thirty-eighth session be held from 15 to 20 October 2012 at FAO headquarters in Rome. The exact dates will be determined by the Director General in consultation with the Chair of the Committee.

D. Composition of the Bureau, 2012-2013

34. The Committee elected Yaya Adisa Olaitan Olaniran, Permanent Representative of Nigeria to FAO, as Chair, and elected by acclamation the following representatives as members and alternate members of the incoming Bureau:

- Members: Angola, Australia, Brazil, China, Egypt, France, Guatemala, Indonesia, Jordan, Switzerland, United States of America and Zimbabwe
- Alternates: Armenia, Canada, Congo, Iran (Islamic Republic of), Italy, Japan, New Zealand, Oman, Sri Lanka, Uganda and two from the Latin America and Caribbean region (to be confirmed).

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World economic situation and prospects as of mid-2012**

Summary

Despite scattered signs of improvement, the world economic situation and prospects continue to present challenges. After a marked slowdown in 2011, global economic growth will likely remain tepid in 2012, with most regions expanding at a pace that is below potential. In the face of subdued growth, the jobs crisis continues, with global unemployment still above its pre-crisis level and unemployment in the euro area rising rapidly. The risks to the global outlook are tilted to the downside. The euro area debt crisis remains the biggest threat to the world economy. An escalation of the crisis would likely be associated with severe turmoil on financial markets and a sharp rise in global risk aversion, leading to a contraction of economic activity in developed countries, which would spill over to developing countries and economies in transition. A further sharp rise in global energy prices might also stifle global growth. Concerted national and international policies should be enacted on multiple fronts in order for the world economy to break out of the vicious cycle of deleveraging, rising unemployment, fiscal austerity and financial sector fragility in developed economies. Breaking this cycle requires policy shifts away from fiscal austerity and towards more countercyclical fiscal stances oriented to job creation, which are better coordinated across the major economies and concerted with continued expansionary monetary policies in developed countries, accelerated financial sector reforms and enhanced development assistance for low-income countries.

* E/2012/100.

** The present document updates *World Economic Situation and Prospects 2012* (United Nations publication, Sales No. E.12.II.C.2), released in January 2012.

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Global macroeconomic trends

Global growth projected to slow, major risks looming

1. Despite some scattered signs of improvement in recent months, the world economic situation and prospects continue to present challenges. After a marked slowdown in the course of 2011, global economic growth will likely remain tepid in 2012, with most regions expanding at a pace below potential. In the baseline outlook, world gross product (WGP) is projected to grow by 2.5 per cent in 2012 and 3.1 per cent in 2013, following growth of 2.7 per cent in 2011 (see table 1); this constitutes a slight downward revision from the forecasts presented in *World Economic Situation and Prospects 2012* in January. Downside risks for further weakening of global economic conditions remain unabatedly high.

2. Most developed economies are still struggling to overcome the economic woes originating from the financial crisis. Four major weaknesses continue to feed into each other and conspire against any robust economic recovery. First, continued deleveraging by banks, firms and households is holding back normal credit flows and consumer and investment demand. Second, unemployment remains high, a condition that is both cause and effect of the lack of economic recovery. Third, fiscal austerity responses to deal with rising public debts are further deterring economic growth, which in turn is making a return to debt sustainability all the more difficult. And fourth, bank exposure to sovereign debts and the weak economy are perpetuating fragility in the financial sector, which in turn is spurring continued deleveraging.

3. Developed countries, especially in Europe, continue to struggle to break through this vicious circle. Even if further deepening and spreading of the debt crisis in the euro area can be avoided, as assumed in the baseline scenario, economic activity in the European Union is projected to stagnate in 2012. The outlook is not as sombre for the United States and Japan, although in both countries output growth continues to be constrained by ongoing deleveraging and policy uncertainties.

4. As a result, world trade growth will slow further to 4.1 per cent in 2012, down from 13.1 per cent in 2010 and 6.6 per cent in 2011. Faced with weakening external demand and increased global uncertainties, developing countries and economies in transition are projected to see notable output growth moderation to 5.3 per cent and 4.0 per cent, respectively, in 2012. Economic growth in those economies is forecast to pick up slightly thereafter, assuming global demand recovers in 2013 and downside risks do not materialize.

Table 1
Growth of world output, 2006-2013
(Annual percentage change)

						Change from January 2012 forecast	
	2006-2009[a]	2010	2011[b]	2012[c]	2013[c]	2012	2013
World	1.8	4.1	2.7	2.5	3.1	-0.1	-0.1
Developed economies	0.3	2.7	1.4	1.2	1.8	-0.1	0.0
United States of America	0.2	3.0	1.7	2.1	2.3	0.6	0.3
Japan	-0.7	4.4	-0.7	1.7	2.1	-0.3	0.1
European Union	0.6	2.0	1.6	0.0	1.2	-0.7	-0.4
15 European Union members	0.4	2.0	1.4	-0.1	1.1	-0.7	-0.5
New European Union members	3.1	2.3	3.0	1.7	2.8	-1.0	-0.2
Euro area	0.5	1.9	1.5	-0.3	0.9	-0.7	-0.3
Other European	1.4	1.7	1.8	1.1	1.3	0.0	-0.3
Other developed countries	1.5	2.8	2.3	2.3	2.6	0.2	0.2
Economies in transition	3.7	4.1	4.5	4.0	4.2	0.1	0.1
South-Eastern Europe	2.8	0.5	1.0	0.6	1.8	-1.7	-1.4
Commonwealth of Independent States and Georgia	3.8	4.5	4.8	4.3	4.4	0.3	0.2
Russian Federation	3.3	4.0	4.3	4.4	4.4	0.5	0.4
Developing economies	5.8	7.5	5.9	5.3	5.8	-0.2	-0.1
Africa	4.7	4.6	2.1	4.2	4.8	-0.8	-0.3
North Africa	4.5	4.0	-2.3	4.4	4.4	-0.3	-1.1
Sub-Saharan Africa	4.8	4.9	4.2	4.1	5.0	-1.1	0.0
Nigeria	4.3	7.8	7.3	6.3	6.8	-0.5	-0.2
South Africa	3.2	2.9	3.1	2.8	3.5	-0.9	0.0
Others	6.2	5.4	3.8	4.2	5.4	-1.6	0.0
East and South Asia	7.6	8.8	6.9	6.3	6.8	-0.5	-0.1
East Asia	7.7	9.2	7.1	6.5	6.9	-0.3	0.0
China	11.4	10.4	9.2	8.3	8.5	-0.4	0.0
South Asia	7.2	7.1	6.1	5.6	6.1	-1.1	-0.8
India	8.4	8.9	7.1	6.7	7.2	-1.0	-0.7
Western Asia	3.5	6.2	6.9	4.0	4.4	0.2	0.1
Latin America and the Caribbean	3.2	6.0	4.3	3.7	4.2	0.4	0.0
South America	4.2	6.4	4.5	3.8	4.4	0.3	-0.1
Brazil	3.6	7.5	2.7	3.3	4.5	0.6	0.7
Mexico and Central America	1.1	5.6	4.1	3.4	3.9	0.8	0.3
Mexico	0.8	5.8	4.0	3.4	3.9	0.9	0.3
Caribbean	5.2	3.4	2.5	3.3	4.0	-0.2	-0.2
Least developed countries	7.4	5.8	4.0	4.1	5.7	-1.9	0.0

	2006-2009[a]	2010	2011[b]	2012[c]	2013[c]	Change from January 2012 forecast: 2012	Change from January 2012 forecast: 2013
Memorandum items:							
World trade[d]	2.2	13.1	6.6	4.1	5.5	-0.3	-0.2
World output growth with purchasing-power-parity-based weights	3.0	5.0	3.7	3.4	4.0	-0.2	-0.1

Source: Department of Economic and Social Affairs.

[a] Average percentage change.

[b] Partly estimated.

[c] Forecast, based in part on Project LINK.

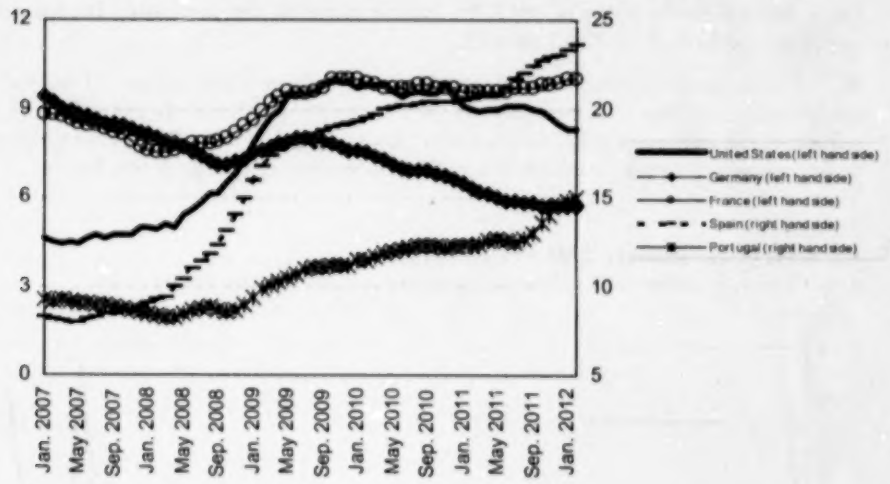
[d] Includes goods and services.

The jobs crisis continues

5. Recovery of global employment remains the most pressing challenge. Despite moderate improvements in some countries once positive economic growth resumed by 2010, the marked slowdown of global growth in the course of 2011 has posed new hurdles for employment creation. Employment-to-population ratios remain below their 2007 levels in all major economies, except Brazil, China and Germany. By the end of 2011, an estimated 48 million additional jobs were required for employment ratios to return to pre-crisis levels. In almost all developed countries, employment was lower at the end of 2011 than in 2007, and the jobs deficit among these countries tops 12 million. In many countries, this is also reflected in unemployment rates that are high and still rising (see figure I). In the United States, despite recent improvements, the unemployment rate remains high, at over 8 per cent, well above pre-crisis levels. Almost all European countries faced greater unemployment rates at the end of 2011 than in 2007 except Austria and Germany. The unemployment rate in the euro area as a whole increased to an historic high of 10.9 per cent in March 2012, up by one percentage point from a year ago. It reached alarming heights in the debt-ridden euro area countries: in Spain it had jumped to 24.1 per cent in March 2012 (up from an average rate of 8.6 per cent in 2007), in Greece to 21.7 per cent (up from 8 per cent), in Portugal to 13.5 per cent (up from 8.5 per cent), and in Ireland to 14.5 per cent (up from 5 per cent). Furthermore, long-term unemployment continues to increase in many developed countries, reaching 40 per cent of the unemployed in half of these countries. Most notably, the share of long-term unemployed rose significantly in the United States, the United Kingdom of Great Britain and Northern Ireland, and debt-distressed countries of the euro area.[1] Youth unemployment also increased markedly; most staggeringly in Spain, where more than half of young adults looking for a job cannot find one.

[1] See International Labour Organization, *World of Work Report 2012*, pp. 2-4.

Figure I
Unemployment rates in selected developed countries: January 2007-February 2012
(Percentage of labour force, seasonally adjusted)



Source: Statistical Office of the European Communities and Organization for Economic Cooperation and Development *Main Economic Indicators*.

6. In developing countries, in contrast, employment rebounded, on average, more strongly than elsewhere. However, with growth in major developing economies slowing, the prospects for sustained improvements are uncertain. At the end of 2011, many countries in South Asia (including large countries like India), Western Asia (in particular those affected by political instability), Africa (including South Africa) and Latin America (including Mexico and Venezuela) faced large job deficits compared with 2007. In both East Asia and Latin America, employment creation decelerated, with unemployment increasing in Brazil during the first quarter of 2012, although the rate of unemployment is still lower than what it was a year ago. Continued high rates of underemployment, vulnerable employment, low wages and absence of social safety nets prevail in most countries, though involuntary part-time underemployment in Latin America and East Asia seems to have reduced marginally.

Non-oil commodity prices projected to recede, but oil prices remain high

7. World market prices of primary commodities declined markedly in the second half of 2011 but were on the rise again in early 2012, especially oil prices. After rising by 40 per cent to reach an all-time high average yearly price of $111 per barrel in 2011, the Brent crude oil price increased further, oscillating around $120 per barrel in April 2012 (see figure II). The surge was triggered by bans imposed by the European Union and the United States on oil imports from the Syrian Arab Republic and the Islamic Republic of Iran,[2] as well as by speculation about escalating geopolitical

[2] See European Union Council Decisions 2011/522/CFSP of 2 September 2011 and 2012/35/CFSP of 23 January 2012 for European Union bans on oil imports from the Syrian Arab Republic and the Islamic Republic of Iran and Executive Orders 13582 of 18 August 2011 and 12959 of 6 May 1995 for those imposed by the United States.

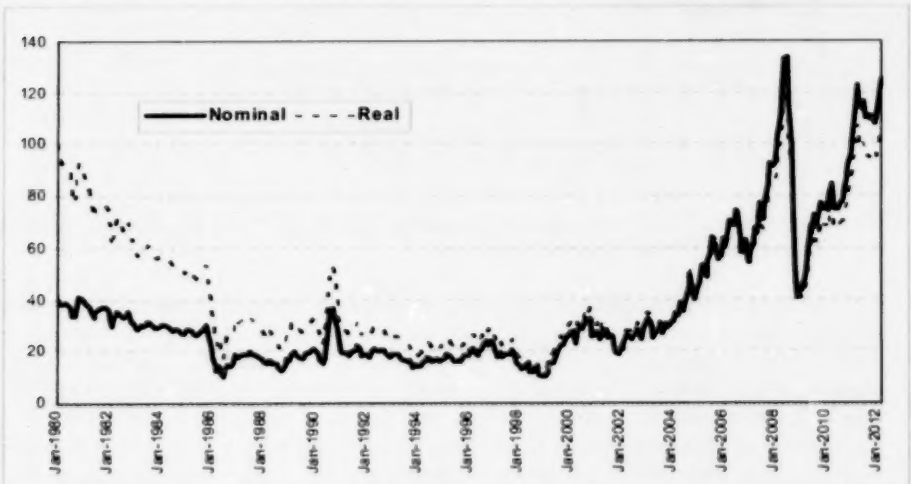
tensions in the region. In the baseline outlook, assuming no escalation of such factors, the price of Brent crude is forecast to average $110 per barrel in 2012 and $100 per barrel in 2013. Metals prices are expected to fall moderately in 2012 as industrial output slows in China and the euro area faces recession. Food prices have come down from the highs of 2011, but remain elevated. Further easing is expected in the second half of 2012 and in 2013.

8. These trends are expected to contribute to a further moderation of inflation worldwide. Volatility in commodity prices will remain a concern for net commodity exporters and importers alike. Geopolitical factors may push oil prices to even higher levels, posing an added downside risk to the world economic outlook (see below).

Figure II

Brent oil price: January 1980-March 2012

(United States $ per barrel; real price=nominal price deflated by the United States consumer price index)



Source: *International Financial Statistics*, International Monetary Fund.

International capital flows: the calm before the storm?

9. After much turmoil during 2011, global capital markets regained some stability in early 2012 as concerns over an escalation of the euro area crisis and the possibility of a hard landing of the Chinese economy eased (at least for now), and growth prospects in the United States seemed to have improved. During the first quarter of 2012, most emerging economies have seen less volatility in private capital inflows, more moderated swings in exchange rates and modest stock market gains. For 2012 as a whole, total net private capital inflows to emerging countries are projected to be positive, though somewhat below 2011 levels.

10. Present conditions contrast sharply with those of the second half of 2011, when contagion from the turbulence in the euro area caused a sudden drop in capital flows to emerging and other developing economies. In an effort to strengthen their balance sheets, banks, especially in Europe, reduced their exposure to those markets. As a result, borrowing costs increased, asset prices fell, and currencies depreciated in many emerging and other developing economies.

11. Yet, the current calm may be deceptive, and new turmoil may easily surface. Capital inflows to those economies are likely to stay volatile, complicating macroeconomic policymaking. Push-and-pull factors will underlie the continued volatility. On the one hand, the significant differences in economic growth and interest rates between emerging and developed economies will push more capital towards emerging economies. On the other hand, the continued deleveraging by European banks carries the risk of disorderly balance sheet adjustments, which could trigger massive withdrawals of capital from emerging economies.

12. Governments of emerging countries and other developing economies' markets thus will need to further strengthen regulatory measures and buffers to shield themselves against continued capital flow volatility. Strong reserve positions and capital account regulatory measures helped countries to come relatively unscathed out of the financial turmoil of the second half of 2011: banks survived the storm, while the sharp reversal in capital inflows did not seem to have affected economic activity too much.

Volatility in currency markets has eased for now

13. Volatility in international currency markets also eased in early 2012, following large fluctuations in exchange rates during 2011. During the first quarter of 2012, most major currencies have traded in fairly narrow ranges, with the euro-dollar exchange rate hovering around 1.32. Shifting risk perceptions, depending on trends in fiscal balances and output growth, are expected to cause fluctuations in the value of the euro vis-à-vis the dollar in the near term. The Japanese yen, which reached historical highs against all major currencies in 2011, depreciated significantly in early 2012 after the Bank of Japan set an inflation target of 1 per cent and expanded its asset-buying programme. Meanwhile, the gradual appreciation of the renminbi against the dollar has, at least temporarily, come to a standstill, with the exchange rate remaining close to 6.30 renminbi to the United States dollar since January 2012. The Brazilian real weakened markedly against major currencies in recent months after the Government implemented measures to prevent further appreciation.

Regional outlook

Developed economies

14. The economy of the United States started 2012 on a positive note. Job creation exceeded expectations, stock market indices registered solid gains and credit conditions eased notably. At the same time, consumer confidence and spending increased markedly. Economic activity is expected to grow by 2.1 per cent in 2012 and 2.3 per cent in 2013, a slight upgrade from the previous forecast and above the 1.7 per cent recorded in 2011. However, the economy is not yet out of the woods. Despite falling labour participation, the unemployment rate remains much higher than it was before the crisis and, in April, job creation slowed again to below the level needed to absorb the natural increase of the labour force. The number of workers without a job for more than six months continues to increase. Weak employment conditions, along with the continued weak housing market and risk of foreclosures, are holding back consumer spending. With the phasing out of fiscal stimulus measures injected during the crisis, government spending has declined, dragging output growth. The upcoming presidential election is creating uncertainties over the fiscal policy outlook, clouding overall economic prospects.

15. In Japan, the economy is expected to recover moderately in the outlook period. Gross domestic product (GDP) contracted by 0.7 per cent in 2011. Economic activity is projected to grow by 1.7 per cent in 2012 and 2.1 per cent in 2013. The recovery from the earthquake and tsunami that hit the country in March 2011 was hampered by supply chain disruptions in the fourth quarter caused by the flooding in Thailand, a major supplier of manufactured inputs. Quarter-over-quarter GDP growth declined by 0.7 per cent in the last quarter of 2011, a major reversal after the 7.1 per cent growth rate posted in the third quarter. In 2012, private consumption growth is expected to remain moderate owing to sluggish growth in wage income. Reconstruction works are expected to spur investment growth. This impulse is being partly offset, however, by cuts in other government expenditures and a tax increase. The measures are to address concerns over the large budget deficit and Japan's outsized public debt. As in 2011, falling net exports will cause the growth of GDP to drag. In particular, fuel imports will increase further because of the need to substitute energy with the phasing out of nuclear power generation.

16. The recovery in Western Europe came to a halt in the fourth quarter of 2011 with GDP declining sharply in most countries. In 2012, GDP is expected to contract by 0.3 per cent, after growing by 1.5 per cent in 2011. Only a modest rebound of 0.9 per cent is expected for 2013. This deterioration stems mostly from the impact of the euro area debt crisis, coupled with a slowing of international demand, and high energy prices. The debt crisis resulted in increasingly stringent fiscal austerity programmes in the crisis-affected countries and the shattering of consumer and business confidence across the region. In early 2012, several massive policy actions of the European Central Bank, an agreement by European Union heads of State on a new fiscal architecture and a successful write-down of Greek debt led to some calming of financial markets. Nevertheless, the outlook is sombre, and growth projections have been revised downwards from that in *World Economic Situation and Prospects 2012*. With ongoing deleveraging, a weak and vulnerable banking system, slowing external demand, high unemployment, fiscal tightening and high oil prices, prospects for growth are bleak. The aggregate picture masks important differences across the region. Germany's economy, for example, is expected to grow by 1.0 per cent in 2012, while the crisis-affected countries will remain mired in recession. The poor growth performance has led to a significant increase in unemployment, as indicated. For the euro area, average unemployment is expected to increase from 10.2 per cent in 2011 to 11.1 per cent in 2012 and stay high at 11.0 per cent in 2013. Again, significant regional differences are apparent: with unemployment high and increasing in the crisis-affected countries, but more stable (and even declining in some) and significantly lower in other countries.

17. The recovery in the economies of the new European Union member States in Central and Eastern Europe is expected to slow noticeably in 2012, affected by weakness in their major export markets and by contractionary effects of fiscal austerity policies. GDP growth is expected to slow, on average, from 3 per cent in 2011 to just 1.7 per cent in 2012, before strengthening to 2.8 per cent in 2013. Some countries, such as Hungary, may slip back into recession. Poland's economy is less export-dependent and, as a result, may escape a sharp slowdown. Domestic demand will not support growth in 2012 owing to fiscal tightening, weak labour markets, private sector indebtedness and stagnating credit flows. Consumer confidence remains fragile as fiscal austerity measures encompass wage and employment reductions in the public sector. The slowing growth will delay the recovery in employment.

Inflation in the new member States of the European Union should subside in 2012, as pressures from world oil and food prices and VAT increases are expected to fade. Possessing weak fiscal buffers, the new members of the European Union remain vulnerable to the risk of massive deleveraging by parent banks of the European Union 15 should the euro area crisis worsen.

Economies in transition

18. After growing at a robust pace in 2011, the economies of the members of the Commonwealth of Independent States (CIS) are expected to see a mild slowdown in the outlook period. Output is projected to expand by 4.3 per cent on average in 2012, compared with 4.8 per cent in 2011. For major energy exporters in the region, such as the Russian Federation and Kazakhstan, growth in 2011 was predominantly driven by higher commodity prices, especially oil and natural gas. Most other CIS economies, including those in Central Asia, also benefited from higher commodity prices, and growth was further spurred by increased public infrastructure spending and worker remittances. Strong agricultural output also contributed to growth throughout the CIS. In the outlook for 2012, the economy of the Russian Federation is forecast to expand by about 4 per cent, contingent on oil prices staying at present high levels. However, during 2011, the economy experienced near record level capital outflows, triggered by uncertainty and negative sentiments among investors. The flight of capital continued in early 2012, tempering growth prospects. In most other CIS economies, growth is expected to moderate in line with lower commodity prices and tighter fiscal policies. Inflation in the CIS countries is set to moderate in 2012, after accelerating in 2011 on the back of higher food and fuel prices, rising wages and, in some cases, massive foreign exchange inflows. The slowdown in inflation will be beneficial for private consumption. In response to lower inflation, several central banks in the CIS cut policy rates in early 2012.

19. The economies of South-Eastern Europe are expected to stagnate in 2012, with Croatia likely to fall back into recession. Economic activity in South-Eastern Europe is expected to expand by a mere 0.6 per cent in 2012. Growth is forecast to accelerate to 1.8 per cent in 2013 as domestic demand, especially private investment, strengthens. The region recovered somewhat in 2011 from the consequences of the global financial crisis, owing to a recovery in demand for commodities, metals in particular, a successful tourism season and a modest recovery in worker remittances. Growth of manufacturing output and construction activity weakened, however, in late 2011 and early 2012 owing to weaker external demand and a harsh winter. In 2012, against the backdrop of the sluggish European Union economy, export growth will likely remain slow, especially given the region's strong trade ties with Greece and Italy. In addition, weak employment conditions, lower public sector wages, fiscal tightening, sluggish credit growth and private sector indebtedness continue to restrain domestic consumption and investment. The planned boost to public investments in infrastructure and energy, financed through European Union support and other international resources is to provide some counterweight. In 2012, inflation in most of the region is forecast to be in the low single digits. The region remains dependent on external finance, and the large presence of Greek banks in parts of the region entails the risk of capital outflows. An abrupt decline in remittances, triggered by a deeper crisis in the European Union, would stifle private consumption.

Developing economies

20. Economic growth in Africa will remain solid in the outlook period, but slightly below the level forecast in the *World Economic Situation and Prospects 2012*. The region is expected to see its GDP grow by 4.2 per cent in 2012 and 4.8 per cent in 2013, a downward revision by 0.8 and 0.3 percentage points, respectively, from the previous forecast. Lingering global economic uncertainty stemming from the economic slowdown in Europe and elsewhere will weigh on exports and lead to more cautious investment, especially in the infrastructure and resource sectors. In addition, political instability and uncertainty cause economic growth to drag in countries such as Libya and Egypt. The service sector remains strong in many economies, including Nigeria and Ghana, where the telecommunications and construction sectors are expected to continue to show robust growth. Domestic consumption demand has strengthened in many countries in the region as well. In Kenya, for example, retail trade has expanded by almost 50 per cent over the past six years, and this trend is likely to continue. Public and private investment in the natural resource and infrastructure sectors will continue to grow at a solid pace in several countries. However, infrastructural deficits, especially in terms of energy generation and refining capacity, continue to impede the acceleration of growth and development in most countries in the region. Meanwhile, added production capacity, as in Sierra Leone, and even after receding somewhat, buoyant commodity prices are expected to underpin a continued solid performance in the resource sectors across the region. Important downside risks are associated with stronger-than-expected weakening commodity prices that would result from a more pessimistic scenario playing out for the developed economies. While inflation rates are forecast to moderate, they remain high in much of sub-Saharan Africa. They are still well into the double digits in Ethiopia, Nigeria, Uganda and the United Republic of Tanzania and elsewhere, curbing purchasing power and, hence, consumption spending. Next to commodity price fluctuations, the prospect of renewed droughts poses a major risk to the outlook and could spark the re-emergence of severe food shortages.

21. Weak demand in developed countries and a slowing Chinese economy are likely to weigh on economic growth in East Asia in the outlook period. After decelerating from 9.2 per cent in 2010 to 7.1 per cent in 2011, average regional growth is expected to slow further to 6.5 per cent in 2012. In 2013, the pace of growth is projected to pick up slightly as global demand recovers, with regional GDP forecast to expand by 6.9 per cent. The growth slowdown in East Asia reflects weaker import demand in developed countries, increased global uncertainty and the lagged effects of credit tightening in parts of the region, most importantly in China. While the risk of a hard landing of China's economy in the outlook period is low, growth is forecast to slow from 9.2 per cent in 2011 to 8.3 per cent in 2012. Across the region, weaker growth of exports and investment is expected to be partly offset by strong household and government consumption as fiscal policy becomes slightly more expansionary. Household consumption will be supported by persistently low real interest rates and rising real wages. The region's labour markets are expected to remain fairly robust despite slower employment growth, particularly in the manufacturing sector. A significant decline in consumer price inflation will also contribute positively to real wage growth in 2012. The slowdown in inflation stems primarily from an easing of food and commodity prices, which can be attributed to improved supply conditions in the region and a weakening of the global economic

environment. While several central banks, including the People's Bank of China, loosened monetary conditions in response to lower inflationary pressures and slower domestic growth, no significant changes to the current policy stance are expected in the remainder of 2012.

22. Economic growth in South Asia is projected to moderate to 5.6 per cent in 2012, down from 6.1 per cent in 2011 and well below the 7.1 per cent pace recorded in 2010. In 2013, regional GDP growth is expected to accelerate again to 6.1 per cent. The recent deceleration mainly reflects significantly lower growth in India, where domestic demand, in particular private investment, has weakened on the back of aggressive monetary tightening and a policy standstill. India's economy is forecast to expand by 6.7 per cent in 2012, after growing by 7.1 per cent in 2011. Most South Asian countries will continue to face major headwinds to economic growth in the near term. On the domestic front, activity elevated inflation, relatively restrictive macroeconomic policies and country-specific factors, such as security concerns and political uncertainties, have a negative impact on consumption and investment activity. At the same time, external conditions have become more challenging. Sluggish economic activity in developed economies, combined with weaker growth in East Asia, will lead to a slowdown in export growth. In addition, high oil prices are putting a strain on fiscal and external balances, while also preventing a more rapid decline in consumer price inflation across the region. As in previous years, the region will be characterized by stark differences in economic performance, with GDP growth in 2012 projected to range from 0.3 per cent in the Islamic Republic of Iran to 6.9 per cent in Sri Lanka. As a consequence, labour market trends will continue to diverge. In Sri Lanka, the unemployment rate remains close to all-time lows. In the Islamic Republic of Iran and Pakistan, in contrast, unemployment and underemployment are increasing as GDP growth is well below the pace required to absorb the rapidly rising labour force.

23. The growth momentum in Western Asia decelerated in the second half of 2011 and in early 2012 owing to weakening external demand and a moderation of public spending growth following the exceptional measures taken in the wake of the Arab Spring. As a result, average regional growth is expected to decline from 6.9 per cent in 2011 to 4.0 per cent in 2012 and 4.4 per cent in 2013. The persistence of high oil prices, however, reinforces the dual track growth outlook for oil-exporting and oil-importing countries. Oil-exporting countries strongly benefited from rising oil prices. Exceptionally high export and government revenues allowed oil-exporting countries to increase public spending and boost private consumption as a substitute for domestic political reform. Oil-importing countries, however, are facing higher import bills in addition to slowing exports; these factors have started to weigh on domestic demand. Consequently, the recent slowdown in Israel and Turkey may extend into the second half of 2012 if economic activity fails to pick up in their main export markets. Furthermore, continued violent clashes have affected economic activity in the Syrian Arab Republic, with spillover effects to neighbouring countries. In response to political unrest unfolding in 2011, Arab policymakers have made unprecedented use of fiscal policy to increase public sector employment and wages as well as access to low-cost housing. While helping restore stability and boost growth in several, but not all, of the Arab countries in the short run, the fact that citizens are considering these measures as entitlements, could entail a more permanent rise in public expenditures. This may push up fiscal deficits more structurally. Fuel-exporting countries, for that reason, would require oil prices to stay at least in the range of

$70 to $100 per barrel in order for them to balance their government budgets. Thus far, however, the measures have not led to an increase in inflationary pressures, which, in fact, dampened throughout in the region, except in Turkey.

24. Economic growth in Latin America and the Caribbean is expected to slow from 4.3 per cent in 2011 to 3.7 per cent in 2012, before accelerating again to 4.2 per cent in 2013. In many countries, the phasing out of fiscal and monetary stimulus measures have curbed domestic demand growth. Exports from Mexico and the Caribbean expanded at a faster rate than expected as economic growth in the United States strengthened towards the end of 2011. Yet, overall economic activity in Mexico is expected to slow to 3.4 per cent in 2012. After lagging behind the rest of the region in terms of output recovery, the Caribbean economies are projected to see a mild acceleration of GDP growth to 3.3 per cent in 2012 and 4.0 per cent in 2013, up from 2.5 per cent in 2011. Somewhat stronger growth in the United States is expected to strengthen demand in the tourism industry and other exports, as well as remittances. Scope for additional support through fiscal policy is limited given already high levels of public indebtedness. Economic growth in Brazil is expected to recover gradually in 2012 and 2013 as private investment is supported by monetary loosening and government spending increases. A fall in industrial production and upward pressure on the real has prompted the Government to strengthen capital account regulation and to introduce additional fiscal incentives to spur industrial activity. A sharp economic slowdown is expected in Argentina in 2012, following a period of fast growth. Domestic demand as well as agricultural production growth is expected to weaken. An escalation of the crisis in the euro area presents a major risk for Latin America and the Caribbean, especially as it would likely lead to a renewed global slowdown, with weakening demand in China and the United States, which are Latin America's main export destinations.

25. The least developed countries are forecast to grow by an average of 4.1 per cent in 2012, almost 2 percentage points lower than projected in *World Economic Situation and Prospects 2012*. This significant downward revision is largely the result of much weaker than expected growth performances in Sudan and Yemen as both countries are mired in conflict. Excluding these countries, economic growth in least developed countries is forecast at 6.5 per cent in 2012. In commodity-exporting least developed countries, such as Angola, solid commodity prices, combined with expanding production capacities, will underpin strong growth. However, this also highlights the continued vulnerability of these economies to volatility in commodity markets. Consequently, a major downside risk lies in a pronounced drop in commodity prices, for example owing to a more severe slowdown in global growth. Given the major role of the agricultural sector in many least developed countries, another downside risk stems from the possibility of renewed droughts, especially in the Horn of Africa and the Sahel region.

Risks and uncertainties

26. Given the fragility of the global economy, the baseline outlook for 2012 and 2013 is subject to a high degree of uncertainty. Risks are tilted to the downside and include an escalation of the euro area debt crisis and a further rise in global energy prices because of increased geopolitical tensions.

Escalation of the crisis in the euro area is the biggest threat to global growth

27. At the current juncture, the crisis in the euro area remains the biggest threat to global growth in the outlook period. An escalation of the crisis would likely be associated with severe turmoil in financial markets and a sharp rise in global risk aversion, leading to a contraction of economic activity in developed countries at large, which would spill over to developing countries and economies in transition.

28. Although some progress was made in early 2012 in easing financial market tensions, policymakers in the euro area have so far not addressed the fundamental and closely intertwined issues at the core of the crisis. They continue to face major challenges related to the fragility of financial institutions and the high level of sovereign debt. Tackling these challenges is complicated by structural imbalances within the euro area and the lack of growth impulses. Average unemployment in the region is at its highest level since the common currency was introduced, and many economies face anaemic growth or recessions as firms and households are in a process of deleveraging, while governments pursue contractionary fiscal policies.

29. While asset price volatility and interbank borrowing costs eased somewhat in early 2012, owing mostly to the long-term refinancing operations of the European Central Bank, Europe's financial sector remains very fragile. The cleansing of bank balance sheets of poorly performing assets has been complicated by the slow growth of European economies and increased exposure to sovereign debt risk. Conversely, stagnating and declining growth in many European economies is further eroding the quality of bank assets, as is the continued sovereign debt distress in the euro area. As a result, many European banks plan to shed more assets in the years ahead in order to raise capital buffers and reduce their exposure to funding markets. Current estimates of the value of assets likely to be sold off over the next two years total about $2 trillion. Financial deleveraging is necessary to strengthen the financial position of banks in the long run, but, in the short run, it will lead to tighter credit supplies, which will further weaken the real economy. In fact, bank credit supply has continued to decline in some European economies even after the long-term refinancing operations. Despite the recent efforts by the European Central Bank, bank funding markets are far from normal yet: bank credit risk remains at a high level, and investors' confidence in banks is weak as reflected in the low prices of banking shares. Together with persistent high unemployment, the still ongoing deleveraging by households and fiscal austerity measures by Governments is keeping the risk of Europe entering into a downward, deflationary spiral dangerously high.

30. Fiscal austerity has already pushed many countries in Europe further into recession and has become self-defeating as far as fiscal consolidation is concerned. This particularly holds for the debt-ridden euro area economies, including Greece and Portugal, which have already received European Union-International Monetary Fund bailout packages, and Italy and Spain, which saw the costs of public financing soar in 2011. Other countries in the euro area have also fallen back into recession following fiscal retrenchment over the past two years. Low growth and high unemployment are at the heart of the region's problems. Given that the economies in the euro area are trading mostly with each other, weak demand in one country also creates significant negative spillover effects.

31. At present, the biggest danger for the euro area is posed by the situation in Italy and Spain, as the size of their debts would likely challenge the region's rescue

funds. The main fear is that Spain will slide into a downward spiral of austerity and recession, which will drive up its borrowing costs, lead to increased market turmoil and eventually require a bailout — with insufficient funds available for Italy. Such a scenario would likely involve renewed speculation about a break-up of the euro area, further unsettling financial markets and triggering a sharp downturn in global economic activity.

High oil prices pose significant downside risks for the world economy

32. The persistence of high oil prices is benefiting oil-exporting countries at the expense of economic activity in oil-importing countries. Oil prices above $100 per barrel could become a drag on global demand, but this would be all the more severe if the price shock emanates from a disruption in supply caused, for instance, by geopolitical factors. The ban on Iranian oil imports imposed by the European Union and the United States has already put upward pressure on oil prices. The impact on oil prices may be offset if other producers increase their supply. The spare capacity of Saudi Arabia, for instance, is estimated at 2.8 million barrels per day, more than enough to compensate for a complete halt in Iran's supply, as its net oil exports amount to 1.4 million barrels per day. Blockage of the Strait of Hormuz, which could be part of enhanced geopolitical tensions, however, would prevent around 10 million barrels per day from reaching international markets, exceeding by far the available spare capacity in and outside of the Gulf region.

33. The International Monetary Fund estimates that, if not offset by supply increases from other producers, a halt to Iranian oil exports would lead to an initial world price increase of 20 to 30 per cent.[3] Further uncertainties about supply disruptions could lead to more substantial price rises affecting global demand. Under the present, relatively weak, global economic conditions, an oil price rise of 50 per cent sustained over the coming two years could lower world gross product growth by 0.5 to 1 percentage point.[4] The impact could be stronger if it induced other commodity prices to rise as well and if increased uncertainty triggered turmoil in the financial market, effects not considered in the given estimate of the impact.

34. Oil-importing countries with high fossil fuel-based energy intensity would be hit hard. The $32 increase in the average oil price during 2011 implied a net transfer of $450 billion from oil-importing to oil-exporting countries. Especially in developing countries that are lacking strategic reserves or fiscal buffers to compensate domestic producers, consumers have seen strong increases in inflation rates because of rising energy prices. The growth prospects of those countries would suffer from further price increases. While sustained high oil prices will likely induce substitution away from fossil fuel consumption and, over time, enhance energy efficiency, which would be a welcome step towards green growth, there are more benign ways to achieve such effects. In this regard, signs that the risk of escalation of geopolitical tensions in the region has subsided are good news for the world economy.

[3] IMF, *World Economic Outlook April 2012: Growth Resuming, Dangers Remain*, p. 15.

[4] Estimates are based on the United Nations World Economic Forecasting Model. Consumption and investment demand would fall in oil-importing countries, offset only in part by increased import demand from oil exporters.

Policy recommendations

35. Given the subdued outlook of the world economy, with significant risks of a severe slowdown, global policymakers face enormous challenges in many areas. Bold measures have been taken in efforts to shore up the banking system through massive liquidity injections and new capital requirements. In Europe, further deepening of the sovereign debt crisis was contained through a bailout for Greece, a new fiscal pact, purchases by the European Central Bank of sovereign debt, and the establishment of a financial safety net. Yet, none of this has been enough for a lasting solution to regain financial stability, economic recovery and an end to the jobs crisis. Clearly, the efforts aimed at regaining debt sustainability through fiscal austerity are backfiring. In a context of large output gaps, high unemployment, investment uncertainty and financial fragility, the retreat from fiscal stimulus measures has taken away the last straw of aggregate demand impulses and is holding back economic growth and keeping unemployment rates high, thereby undermining fiscal consolidation. Policymakers in developed countries are now putting hopes on structural reforms to lay the foundations for more robust growth in the medium run. However, the low growth trap developed countries are in now complicates efforts at structural reform and is limiting growth prospects of developing countries through reduced export opportunities and increased volatility of commodity and capital flow.

36. More concerted and more coherent efforts on several fronts of national and international policymaking will be needed to break out of the vicious cycle of continued deleveraging, rising unemployment, fiscal austerity and financial sector fragility. Reiterating the policy recommendations made in *World Economic Situation and Prospects 2012*, this will require more forceful but, in a number of respects, also different approaches on at least four fronts.

Reorienting and coordinating fiscal policies

37. On the fiscal front, the current policies in developed economies, especially in Europe, are heading in the wrong direction, driving the economies further into crisis and increasing the risk of a renewed global downturn. The severe fiscal austerity programmes implemented in many European countries, combined with mildly contractionary policies in others, such as Germany and France, carry the risk of creating a vicious downward spiral, with enormous economic and social costs. Under current conditions, characterized by weak private sector activity and poor investor and consumer confidence, simultaneous fiscal retrenchment across Europe has become self-defeating as massive public expenditure cuts will further push up unemployment rates, with negative effects on growth and fiscal revenues. Such policies may also hamper long-term growth prospects, for example, if lower spending on education undermines the quality of human capital. It is therefore essential to change course in fiscal policy and shift the focus from short-term consolidation to robust economic growth with medium- to long-run fiscal sustainability.

38. Premature fiscal austerity should thus be avoided and, while necessary, fiscal consolidation should focus on medium-term, rather than short-term, adjustment. Instead, and against the political tide, Governments of economies with low financing costs in capital markets should allow automatic stabilizers to operate and sustain or enhance deficit-financed fiscal stimulus in the short run.

39. Since fiscal space is clearly severely limited in some economies, international policy coordination will be critical. In Europe, instead of the present asymmetric adjustment through recessionary deflation — where most of the pain is concentrated on the countries in debt distress — it would entail a more symmetrical and sequenced approach with countries with greater fiscal space pushing for euro area-wide reflation, thereby also supporting the recovery in debt-distressed countries and ease some of their fiscal pains, as well as creating for all economies more benign conditions for structural reforms and medium-term fiscal consolidation plans to be phased in subsequently. The United States would equally need to consider such a sequenced approach. The first priority should be to boost demand in order to reduce unemployment, especially through public investment and more direct job creation. This would help households delever and boost consumption demand through income growth. Infrastructure investment and other structural measures would underpin strengthened export competitiveness over the medium run, giving time for China and other Asian economies to rebalance towards greater reliance on domestic demand growth and smaller trade surpluses.

40. Meanwhile, the short-term policy concern for many developing countries will be to prevent rising and volatile food and commodity prices and exchange rate instability from undermining growth and leading their economies into another boom-bust cycle. These countries would need to ensure that macroeconomic policies are part of a transparent countercyclical framework that would include the use of fiscal stabilization funds combined with strengthened macroprudential financial and capital account regulation to mitigate the impact of volatile commodity prices and capital inflows.

Aligning macroeconomic and structural policies for job growth and sustainable development

41. The second and related challenge will be to redesign fiscal policy — and economic policies more broadly — in order to strengthen the impact on employment and aid in its transition from purely a demand stimulus to one that promotes structural change for more sustainable economic growth. Several developing countries, such as Argentina, China and the Republic of Korea, have successfully taken steps in this direction, including through infrastructure investment and energy-saving incentives. The optimal mix of supporting demand directly through taxes or income subsidies or indirectly through strengthening supply-side conditions, including by investing in infrastructure and new technologies, may vary across countries, but in most contexts, direct government spending tends to generate stronger employment effects.

Addressing financial market instability

42. The third challenge is to find not only greater synergy between monetary and fiscal stimulus, but also to better coordinate monetary policy action and regulatory reforms of the financial sector. Continuation of expansionary monetary policies among developed countries will be needed, but negative spillover effects need to be contained. The Federal Reserve Bank of the United States, the European Central Bank and the Bank of Japan have kept policy rates at their effective lower bounds and have increasingly relied on unconventional monetary measures, most notably quantitative easing programmes. The resulting increase in money supply has made financial markets more liquid and, on occasion, less volatile, but has generated major spillover effects to developing countries which have seen highly volatile

capital inflows, exchange rates and asset prices over the past two years. This has often constrained domestic policy space and adversely affected real activity. Going forward, the existing tensions are likely to prevail: given the need to stimulate credit flow and promote economic activity, monetary policy in developed economies will continue to be expansionary, with the possibility of further large-scale liquidity operations. This could trigger renewed massive capital flows to developing countries, particularly those in East Asia and Latin America. Against this background, governments and central banks in developing countries should further strengthen their macroprudential policy toolkit, as mentioned already.

43. More accelerated regulatory reform of the financial sector will be essential in order to break out of the vicious circle of the low growth trap of developed countries and contain the volatility of capital flow for developing countries. Lack of financial regulation and oversight was a major factor behind the global financial crisis in 2008/09. Since then, regulatory reform has been placed on national (in particular in the United States and the European Union) and international policy agendas, most notably the Group of 20, the Financial Stability Board and the Basel Committee on Banking Supervision. While progress has been made in identifying and studying priority areas of regulatory reform and in offering policy recommendations, implementation is lagging behind. Moreover, insufficient coordination between national bodies appears to result in a regulatory patchwork, with major inconsistencies between jurisdictions. Global financial stability is unlikely to be achieved in the absence of a comprehensive, binding and internationally coordinated framework. Common international standards and principles, implemented consistently in every jurisdiction, are needed to limit regulatory arbitrage, which includes shifting high-risk activities from more to less strictly regulated environments, and to allow for adequate oversight. Among the priority areas identified by the Group of 20 countries, some progress has been achieved in making the traditional banking sector more resilient, with most banks meeting the new minimum Basel III requirements of 4.5 per cent for common tier 1 capital, although conditions in the European banking sector remain fragile. The issue of systemically important "too-big-to-fail" institutions has not been sufficiently addressed, and moral hazard may even have increased in the wake of bailouts and industry takeovers. Finally, despite its instrumental role in the run-up to the financial crisis, the shadow banking sector remains largely unregulated. Given the continued fragility of financial systems worldwide and the enormous risks associated with it, there is urgent need for faster progress in financial regulatory reform at the international level.

Ensuring adequate development finance

44. The fourth challenge is to ensure that sufficient resources are made available to developing countries, especially those possessing limited fiscal space and facing large development needs. Those resources will be needed to accelerate progress towards the achievement of the Millennium Development Goals and for investments in sustainable and resilient growth, especially for the least developed countries. Fiscal austerity among donor countries has also affected aid budgets, as visible in the decline in real terms of the official development assistance flows in 2011. Apart from delivering on existing aid commitments, donor countries should consider mechanisms to delink aid flows from their business cycles so as to prevent delivery shortfalls in times of crisis, when the need for development aid is at its most urgent. One way to do so would be through internationally concerted taxes (such as airline

levies, currency transaction taxes or carbon taxes) for allocation for development and global public goods, as proposed in the recent World Economic and Social Survey.[5]

Dealing with the jobs crisis through benign global rebalancing

45. A jobs and growth-oriented agenda as outlined above is compatible with medium-term reduction of public debt ratios and benign global rebalancing, as shown in an update of the coordinated policy scenario with the United Nations Global Policy Model presented in the *World Economic Situation and Prospects 2012*.[6] With continued existing policies, but assuming no major deepening of the euro crisis, growth of world gross product would average, at best, 2.9 per cent per year on average, far from sufficient to deal with the jobs crisis or bring down public debt ratios. The alternative scenario, based on the agenda outlined above, includes a shift in fiscal policies away from austerity and towards more job creation through, inter alia, more spending on infrastructure, energy efficiency and social programmes and tax and subsidy measures to stimulate private investment projects in these areas, continued expansionary monetary policies aligned with stronger capital account regulation stemming capital flow volatility and enhanced development assistance to the poorest nations. The GPM simulations show that under such a policy scenario, WGP would grow at an average rate of 4.0 per cent between 2013 and 2016, public debt-to-GDP ratios would stabilize and start falling from 2016 or earlier, and the jobs deficit would be closed by 2016 (see figure III).

Figure III
Internationally coordinated strategy for growth and jobs

Baseline

Coordinated policy scenario for growth and jobs

A. Employment ratios (per cent of working population)

(a) United States
(b) Europe, Japan and other developed economies
(c) Transition and developing economies
China and India
Transition and other developing economies

[5] See United Nations, *World Economic and Social Survey 2012: In Search of New Development Finance* (Sales No. E.12.II.C.1).

[6] United Nations, *World Economic Situation and Prospects 2012* (Sales No. E.12.II.C.2), pp. 33-36.

B. GDP growth rates (per cent)

Source: Department of Economic and Social Affairs Global Policy Model (available from http://www.un.org/esa/policy/publications/ungpm.html).